



Oklahoma

2004

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2004

OKLAHOMA 2004

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2004**

**Brad Henry
Governor**

Prepared by

Office of State Finance

**Scott Meacham, Director
Brenda Bolander, State Comptroller**

The Oklahoma Comprehensive Annual Financial Report is an annual publication of the Oklahoma Office of State Finance and is prepared by the Division of Central Accounting & Reporting.

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Requests for additional copies, comments or questions may be directed to Becky Wilson, Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105.

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Introductory Section

Introductory Section



STATE OF OKLAHOMA
OFFICE OF STATE FINANCE

May 26, 2005

To the Honorable Brad Henry, Governor
Members of the Legislature, and
Citizens of the State of Oklahoma

The Office of State Finance is pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the fiscal year ended June 30, 2004. This report, presented in three sections - Introductory, Financial, and Statistical - is the primary means of reporting the State government's financial activities. Its objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements. The CAFR has been prepared in conformance with relevant Governmental Accounting Standards Board (GASB) statements.

The Introductory Section contains an overview of the State's economic performance, a review of current initiatives and summary financial data. The Financial Section contains Management's Discussion and Analysis; Government Wide Financial Statements; Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, Similar Component Units, and Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information. The Statistical Section contains selected financial and demographic information.

PROFILE OF THE GOVERNMENT

Management of the State, through the Office of State Finance (OSF), is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary for an understanding of the State's financial position and activities. The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority, college and university whose data are presented in this report. The financial reporting entity, the State of Oklahoma, includes these funds, organizations, agencies, boards, commissions, and authorities. In accordance with Governmental Accounting Standards Board Statement 14, the State financial reporting entity includes twenty-two component units. There are eight major component units, eight nonmajor component units, and six fiduciary component units. The major and nonmajor component units are discretely presented in the financial statements. The fiduciary component units are presented on the fiduciary fund and similar component units financial statements along with the other fiduciary activities of the state. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

State finances are governed by rules designed to ensure sound, conservative management. The legislature cannot appropriate more than 95% of the general revenue expected to be collected in the coming year. The State Board of Equalization, an independent board not subject to legislative control, establishes the legislative appropriation authority. Unlike many states that use seasonal borrowing to meet cash demands, Oklahoma maintains a cash flow reserve sufficient to meet fluctuating cash needs. General obligation indebtedness is prohibited without a vote of the people. When revenue receipts are less than estimated, the Director of Finance is mandated by the Oklahoma Constitution to declare a revenue shortfall and reduce appropriations as required to allow appropriations be covered by current year tax collections.

The State's financial statements have been audited by the Office of the State Auditor and Inspector. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2004, are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting

supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Oklahoma's financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

Internal Controls

Management of the State of Oklahoma is responsible for the establishment and maintenance of internal accounting controls that have been designed to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost does not exceed the benefit obtained.

Budget and Fiscal Policy

The budget process begins when each agency that expends money through the state treasury, except the legislature, submits an annual budget request to the OSF. Copies are also provided to the legislative fiscal staffs. These requests are reviewed and analyzed for the Governor by the OSF. The Governor then makes formal recommendations in his "Executive Budget" which is presented to the legislature on the first day of the legislative session. During the legislative session, legislative committees review agency needs and appropriations made for state agency operations during the ensuing fiscal year. The Governor can accept, reject or line-item veto particular legislative appropriations. Prior to encumbering or spending money in the fiscal year, each agency submits a Budget Work Program to the OSF. In this document the agency outlines, by object of expenditure, fund source and program category, how it plans to spend the various resources available to it.

Oklahoma's Constitution restricts total appropriations to 95% of estimated general revenues. The Board of Equalization is responsible for approving the official itemized estimate of revenues based upon information provided by OSF and the Oklahoma Tax Commission and sets the amount of legislative appropriations authority. The Board is comprised of six elected officials: the Governor, the State Auditor and Inspector, the State Treasurer, the Lieutenant Governor, the Attorney General, and the Superintendent of Public Instruction, as well as the President of the State Board of Agriculture.

The Constitution requires that collections in excess of the Board of Equalization's itemized estimate of General Revenue Fund revenues be deposited to the "Rainy Day Fund" each year until the balance of the Rainy Day Fund equals 10% of the prior fiscal year's General Revenue Fund certified appropriations authority. The voters of Oklahoma recently enacted new restrictions on the use of the Rainy Day Fund. Up to one-fourth of the July 1 balance each year may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate, or by a declaration of an emergency by the Speaker of the House and President-Pro Tempore of the Senate with concurrence of three-fourths of the members of each house. Up to three-eighths of the fund may be accessed if the Board of Equalization is forecasting a decline in state revenues for the coming fiscal year and up to three-eighths may be utilized in the event of a current year revenue shortfall.

The State also has an oversight process for the issuance of debt. The Council on Bond Oversight is responsible for the review and approval of all debt issued by the State, its agencies and public trusts, and performs an assessment of all capital leases.

Proprietary Operations

The State's proprietary operations are comprised of governmental agencies and quasi-governmental agencies providing goods and/or services to the public on a user charge basis. These activities are financed and operated in a manner similar to private business enterprises. They operate with the intent to recover the costs of operations from those directly benefiting from the goods or services. Some of the activities included in the State's proprietary operations are power generating plants, turnpikes, medical services and insurance and financing services for both public and private entities.

Cash Management

State law requires full collateralization of all State Treasurer bank balances. Generally, the Treasurer promulgates rules that establish the amount of collateral that must be pledged against deposits. However, component units of the State reporting entity may have collateralization policies that differ from those of the State Treasurer. The State Treasurer is required to keep at least 80% of available cash invested.

Capital Assets

These financial statements include the capital assets of the State. A discussion of capital assets accounting is included in the Management Discussion and Analysis that is part of the basic financial statements. More detailed information about capital assets can be found in the notes to the financial statements.

Debt Administration

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens. The general obligation bonds of the State are rated "Aa3" by Moody's Investors Service and "AA" by both Standard & Poor's Corporation and Fitch Investors Service. Prior to a 1993 general obligation bond program, except for refunding bonds, the State last issued general obligation bonds in 1968. Certain maturities of those bonds were advance refunded in 1977 and again in 2003. As of June 30, 2004, the outstanding general obligation net debt of the State of Oklahoma was \$261.2 million. This figure excludes the self-supporting taxable bonds of the Oklahoma Industrial Finance Authority, which are secured by the repayment of loans made to private businesses. State revenues have never been required to support debt service payments on these obligations.

Various agencies, trusts, and authorities issue revenue bonds on behalf of the State of Oklahoma, and these obligations are supported solely by the revenues of the issuing entities. Those revenues may include appropriations to the respective entities. More detailed information about long-term obligations can be found in the notes to the financial statements.

Risk Management and Insurance

In general, the State is "self-insured" for health care claims, workers' compensation, tort liability, vehicle liability, and property losses, with some exceptions for participation in health maintenance organizations and for excess coverage items. The property loss excess coverage is limited to a maximum loss of \$1 billion. The Oklahoma State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. The State Insurance Fund provides workers' compensation coverage for both public and private sector employees in Oklahoma.

ECONOMIC CONDITIONS AND OUTLOOK

Oklahoma is an attractive place in which to live and conduct business. The state enjoys a very low cost of doing business, has a highly skilled and productive work force, enjoys low energy costs and is geographically well positioned for interstate commercial activity. For example, Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation's most important transportation and shipping corridors, allowing state businesses to take advantage of opportunities anywhere in the United States. Our pioneering Career and Technology Education system is a national leader in developing training programs for industry. Oklahoma remains committed to improving the quality of its education system.

Oklahoma is also known for its abundant resources. The state remains a leading producer of oil and natural gas, allowing Oklahoma manufacturers to take advantage of some of the lowest energy prices in the nation. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, peanuts, grain sorghum, pecans, rye, hogs and cattle. Oklahomans also enjoy many opportunities for outdoor recreation and due to its many man-made reservoirs, Oklahoma has more miles of shoreline than any other state.

Oklahoma's economy has made great gains since the economic recession of 2001-2002. Oklahoma was rated one of the "Top 10 Pro-Business States for 2005" by Pollina Corporate Real Estate. The national study recognized Oklahoma for its business incentives and economic development efforts.

Here are just a few highlights of Oklahoma's economy:

- Since January of 2003, 178 companies in Oklahoma have added over 22,000 jobs.
- In 2004 state job growth outpaced the nation's with non-farm wage and salary payroll growth of 1.7% compared to 1.3% for the nation.
- Oklahoma's unemployment rate also outpaced the nation with a 21% decline in unemployment from 5.7% in November of 2003 to 4.5% in November of 2004. For the same periods in time, the U.S. unemployment rate decreased by 8% from 5.9% to 5.4%.

Some of the most notable job expansions taking place in Oklahoma include: Dell with an anticipated 1,400 jobs in Oklahoma City, IBM with 1,000 more jobs in Tulsa by 2009 and Dot Foods with 150 jobs in Ardmore.

FY-2004 marked the first fiscal year since FY-2001 that the State of Oklahoma did not experience a revenue shortfall and ended the fiscal year with a positive cash balance of \$66.9 million. This was also the first year since FY-2001 that the state collected over 100 percent of the estimated revenue resulting in a Rainy Day Fund Deposit of over \$217 million.

The Teachers' Retirement System (TRS) has accrued liabilities in excess of its asset growth. The valuation performed at June 30, 2004 reflects a decrease in the funded position from the funding level at June 30, 2003. It also reflects that based on current statutes for determining the state, federal, and employer contribution rates, the funded period is expected to increase indefinitely. This compares to a 28.7 year amortization period at June 30, 2003. The actuarial accrued liability increased \$2.2 billion and the actuarial value of assets increased \$224 million. As a result, the System's unfunded actuarial accrued liabilities increased \$1.9 billion to \$7.4 billion at June 30, 2004. The expected indefinite increase in the funded period and the decrease in the funded ratio are due to the impact of adding a 1% cost-of-living increase assumption that was mandated to the System by the Legislature during the 2004 session. The Governor has asked the legislature to appoint a task force to study the retirement benefits offered Oklahoma teachers, the optimal retirement benefits offering and solutions to the funding shortfall in the system.

Oklahoma has come through the revenue decline experienced by other states. In spite of these past challenges, the State's financial condition is healthy. The state's general obligation debt load remains modest and the State's revenue picture is improving.

CURRENT DEVELOPMENTS AND MAJOR INITIATIVES

Highlights of the fiscal year 2004 and fiscal year 2005 budgets include (expressed in millions):

	Amount Appropriated		Percentage of Total Appropriations		Increase (Decrease) from Prior Year		Percentage Increase (Decrease)	
	2004	2005	2004	2005	2004	2005	2004	2005
Department of Education	\$ 1,951	\$ 2,008	38%	37%	\$ 88	\$ 57	5%	3%
Regents for Higher Education	768	802	15%	15%	(32)	34	(4%)	4%
Career & Technical Education	118	124	2%	2%	(4)	6	(3%)	5%
Other education	21	23	0%	0%	(2)	2	(9%)	10%
Total Education	2,858	2,957	54%	55%	50	99	2%	3%
Department of Health	54	58	1%	1%	(6)	4	(10%)	7%
Health Care Authority	439	482	9%	9%	21	43	5%	10%
Department of Mental Health	145	155	3%	3%	4	10	3%	7%
Other Health	34	39	1%	1%	(4)	5	(11%)	15%
Total Health	672	734	13%	15%	15	62	2%	9%
Department of Human Services	387	408	8%	7%	(1)	21	(0%)	5%
Office of Juvenile Affairs	90	93	2%	2%	(6)	3	(6%)	3%
Other Human Services	35	36	1%	1%	2	1	6%	3%
Total Human Services	512	537	10%	10%	(5)	25	(1%)	5%
Department of Corrections	374	384	7%	7%	7	10	2%	3%
Department of Transportation	192	201	4%	4%	(53)	9	(22%)	5%
Department of Public Safety	62	65	1%	1%	(3)	3	(5%)	5%
Other	489	518	9%	10%	(76)	29	(13%)	6%
Total	\$ 5,159	\$ 5,396	100%	100%	\$ (65)	\$ 237	(1%)	5%

Revenue projections for FY-2005 reflected Oklahoma's continuing recovery from the weak economy with an increase in certification of over \$246.4 million from FY-2004. Changes in law and transfers to the special cash fund made during the legislative session increased overall appropriations and expenditure authority to over \$5.39 billion for FY-2005. This is an increase of over \$254 million or 5% from the FY-2004 state budget. Of this total, \$32.5 million was appropriated for FY-2004 supplemental appropriations. Major expenditure items for FY-2005 included \$61 million for health care

and health related programs, \$97 million for education and \$24.3 million for a statewide employee salary increase. Common education received over \$52 million to fully cover health insurance for teachers, as described below.

The Governor and Legislature focused on a number of significant issues during the 2004 legislative session designed to encourage economic development, improve education and increase access to quality health care services.

Teachers' Health Insurance and Salaries

The Governor and Legislature passed two important education initiatives during the 2004 legislative session, HB 2662 and SB 1272. The first increased the amount the state pays for teacher's health insurance from 58% to 100%, effective July 1, 2004. Prior to this legislation, the state covered 58% and districts covered 17% for a total of 75%. The 17% districts were using to pay their share of teachers' health insurance may be re-invested in teachers' salaries and/or benefits. The Legislature provided over \$52 million to cover the cost of this benefit increase.

SB 1272 provides an average \$4,000 increase to teachers over four fiscal years, FY-2006 through FY-2009. Salary increases are based on years of experience and teacher education level.

This past fall, Oklahomans affirmed their commitment to investing in a quality educational system and health care system with passage of SQ's 705 and 706 for the lottery and SQ 713 for the tax reform-health care program.

Health Care Initiative/Tax Reform

Topping the Governor and Legislature's list of priorities was an Oklahoma source capital gains tax cut, retirement tax cut and a tobacco tax increase. These items were originally proposed as separate pieces of legislation (HB 2660, HB 2421, SB 1551 and HB 2112) but were later merged and passed as a state question for a vote of the people (HB 2660, State Question 713).

The people of Oklahoma passed State Question 713 in November of 2004. The net cigarette tax increase passed in SQ 713 is 55 cents and was effective January 1, 2005. Excise taxes on all other tobacco products are also increased by various amounts.

Revenue from these increases is expected to generate over \$202 million on an annualized basis. Of this amount \$53.5 million will be used to replace lost sales tax revenue to the state, cities and counties. Over \$149 million will be directed to a number of health care programs including one to provide private health insurance to low-income working Oklahoma families, breast and cervical cancer treatment to low-income women, substance abuse treatment programs for adolescents and funding to support the state's only Level 1 trauma care emergency facility.

The second proposal in the initiative expanded the retirement income tax exemption by increasing the retirement income qualifications for the retirement income tax exemption from \$25,000 to \$37,500 for single filers and from \$50,000 to \$75,000 for joint filers. The third component of the initiative repealed a current law that increases the income tax rate to 7% and lowers the income qualifications for the Sales Tax Relief Act when estimated collections for the upcoming fiscal year are less than estimated collections for the current fiscal year. As a result of the repeal, the income tax will remain at a maximum permanent rate of 6.65% and the income qualifications for the Sales Tax Relief Act will stay at current levels for FY-2005, \$15,000 for single filers and \$30,000 for senior citizens and households with children.

The fourth component exempted Oklahoma source capital gains from the individual income tax rate. Property located in this state must be owned for 5 years before claiming the capital gains exemption while the sale of stocks or an ownership interest in an Oklahoma company must be held for 3 years before claiming the exemption. This component encourages all people to invest in Oklahoma.

Tribal-Gaming Regulation Initiative

Another initiative which won approval and support from the people of Oklahoma was the State-Tribal Gaming initiative, HB 1252, State Question 712. This act allows the state to monitor certain types of gaming operations within tribal gaming facilities and receive exclusivity payments from the tribes. Tribes that enter into compacts with the state will provide three payments to the state. In addition to monitoring tribal gaming, this act also authorizes three racetracks to operate a specified number of electronic games at their facilities. Revenue gained from the racetracks will be disbursed among the state of Oklahoma, the racetrack and the horsemen for purses. Of the revenue received from tribes and tracks, 88% will be deposited in the 1017 education reform revolving fund and 12% for scholarships with the Oklahoma Higher Learning Access Program.

Trauma Care

In the fall of 2003, the State's only Level 1 trauma care announced it would close its doors effective January 2004. This announcement brought Executive and Legislative Branch leaders together to discuss alternatives and solutions to this crisis. The Governor in collaboration with Legislative leadership proposed a number of changes to implement a statewide trauma care infrastructure to ensure adequate quality trauma care. The three main challenges for the trauma care system included inadequate funding, absence of a statewide infrastructure and insufficient services. To address the issue of inadequate funding, the Governor proposed and the Legislature passed measures to increase fines for misdemeanors and felonies which will generate approximately \$12.4 million for the trauma care system. The Tobacco Tax initiative, HB 2600 also dedicates another \$17 million to the trauma care fund.

FINANCIAL INFORMATION

Governmental Functions

Most financial operations of the State are reported in governmental fund types, which are the General Fund, Capital Projects Fund, and the Permanent Funds. Following are schedules of revenues and expenditures for these governmental funds. Note that the following tables present data according to generally accepted accounting principles for the fiscal year ended June 30, 2004, while previous tables have presented budgetary data for this and later periods. Transfers are primarily from the General Fund to support public institutions of higher education.

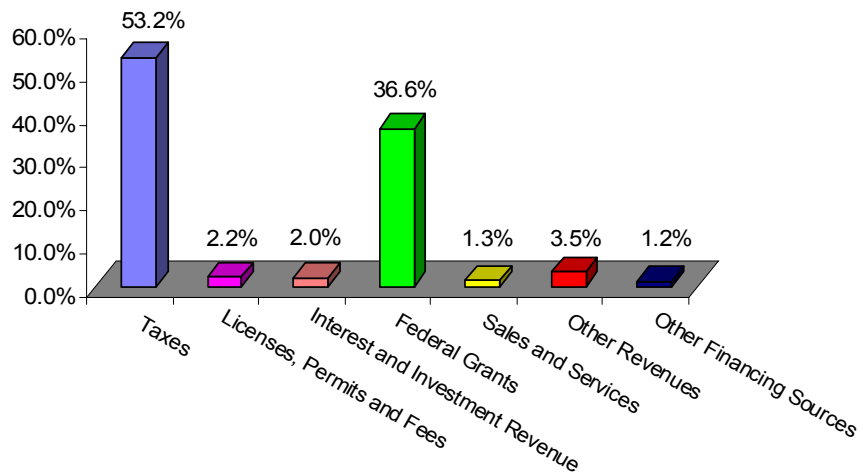
Governmental Funds: Revenues and Other Financing Sources - GAAP Basis
(expressed in millions)

	2004 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Taxes	\$ 6,269	53.2%	\$ 729	13.2%
Licenses, permits and fees	258	2.2%	14	5.7%
Interest and investment revenue	234	2.0%	42	21.9%
Federal grants	4,315	36.6%	370	9.4%
Sales and services	158	1.3%	(6)	(-3.7%)
Other revenues	417	3.5%	69	19.8%
Other financing sources:				
Operating transfers	7	0.1%	0	0.0%
Bond and note proceeds	113	1.0%	(314)	(-73.5%)
Other	13	0.1%	1	8.3%
Total revenues and other financing sources	<u>\$ 11,784</u>	<u>100.00%</u>	<u>\$ 905</u>	

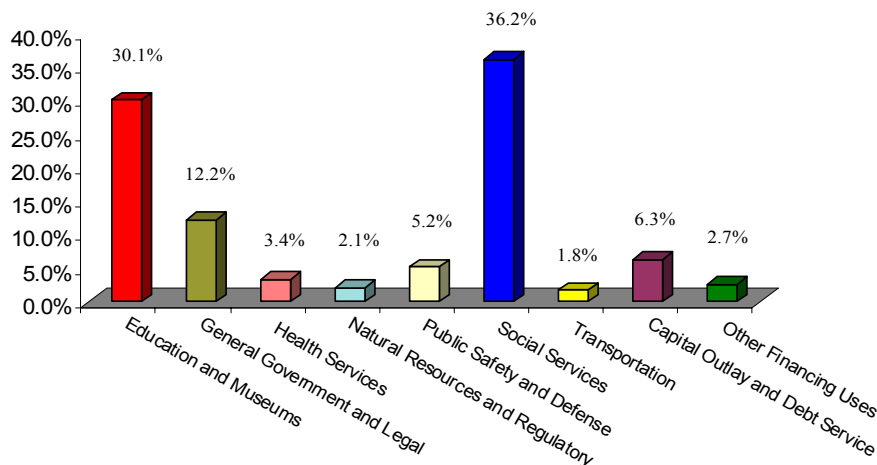
Governmental Funds: Expenditures and Other Financing Uses - GAAP Basis
(expressed in millions)

	2004 Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage Increase (Decrease)
Education	\$ 3,414	30.0%	\$ 94	2.8%
General government	1,243	10.9%	262	26.7%
Health services	386	3.4%	(4)	(1.0%)
Legal and judiciary	156	1.3%	(8)	(4.9%)
Museums	9	0.1%	1	12.5%
Natural resources	170	1.5%	(17)	(9.1%)
Public safety and defense	597	5.2%	(11)	(1.8%)
Regulatory services	71	0.6%	(103)	(59.2%)
Social services	4,118	36.2%	296	7.7%
Transportation	205	1.8%	(17)	(7.7%)
Capital outlay	635	5.6%	(35)	(5.2%)
Debt service	74	0.7%	(47)	(38.8%)
Other Financing Uses:				
Operating transfers	6	0.1%	(1)	(0.0%)
Bond refunding	299	2.6%	205	218.1%
Total expenditures and other financing uses	<u>\$ 11,383</u>	<u>100.00%</u>	<u>\$ 615</u>	5.7%
Governmental Funds - Net increase in fund balance	<u>\$ 401</u>			

Governmental Fund Revenues and Other Financing Sources (GAAP Basis) – Fiscal Year 2004



Governmental Funds Expenditures and Other Financing Uses (GAAP Basis) – Fiscal Year 2004



Revenue Collections and Estimates

As noted in a preceding subsection, the budget is prepared using cash available plus 95% of the itemized revenue estimate as approved by the State Board of Equalization. It should be noted that taxes deposited into the budgetary General Revenue Fund (GRF), as defined by Oklahoma law, are approximately 87% of the total tax revenues of the governmental funds, as defined by generally accepted accounting principles. However, the budgetary GRF should not be confused with the General Fund as presented in the accompanying GAAP-basis financial statements, as the two terms are not interchangeable. For example, the GAAP-basis General Fund includes revenues deposited to the State Transportation Fund, federal grant proceeds, revolving fund revenues, fees and charges as well as other money used in the general operations of government which are not considered in the Board of Equalization's estimates of tax revenues.

Receipts from all of the four major taxes (income tax, sales tax, gross production tax and motor vehicle tax) exceeded revenues of the prior year, producing a combined total of \$4.1 billion, or 88% of total GRF receipts. The total of major taxes collected increased \$426.5 million, or 11.7% from that of the prior year, an indication of increased business activity. As compared to fiscal year 2003, collections from income taxes increased by \$238.9 million, or 12.7%; sales taxes increased by \$84.0 million, or 7.0%; motor vehicle taxes increased by \$25.6 million, or 13.0%; and gross production taxes on gas increased by \$78.0 million, or 21.3%.

Oklahoma has established an enviable record in recent years in its revenue forecasting results. Since enactment of a constitutional amendment in 1985 establishing new revenue estimating procedures, collections have exceeded the estimate in eight years and dipped below the estimate seven years. The comparison of estimated revenues to actual collections for fiscal year 2004 is as follows:

	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
Individual and Corporate				
Income tax	\$ 2,078.8	\$ 2,121.8	\$ 43.0	102.1%
Sales tax	1,238.9	1,287.4	48.5	103.9%
Motor vehicle tax	214.2	222.0	7.8	103.6%
Gross production tax	358.7	443.7	85.0	123.7%
Subtotal Major Taxes	3,890.6	4,074.9	184.3	104.7%
Other sources	505.2	538.3	33.1	106.6%
Total	\$ 4,395.8	\$ 4,613.2	\$ 217.4	104.9%

The fifteen-year comparative history of estimated to actual collections is shown in the following table.

Fiscal Year	Itemized Estimate	Actual Collections	Over (Under) Estimate	Percentage Collected
1990	2,661	2,735	74	102.8%
1991	3,034	3,110	75	102.5%
1992	3,214	3,161	(53)	98.4%
1993	3,365	3,259	(106)	96.8%
1994	3,399	3,342	(57)	98.3%
1995	3,515	3,513	(3)	99.9%
1996	3,614	3,705	91	102.5%
1997	3,531	3,778	247	107.0%
1998	3,866	4,009	143	103.7%
1999	4,186	4,148	(38)	99.1%
2000	4,271	4,354	83	101.9%
2001	4,456	4,693	237	105.3%
2002	4,829	4,413	(415)	91.4%
2003	4,725	4,186	(539)	88.6%
2004	4,396	4,613	217	104.9%
Fifteen-Year Average	\$ 3,804.2	\$ 3,801.2	\$ (2.9)	99.9%

The status of three important fund balances affecting the new years fiscal picture is explained below:

Cash-Flow Reserve Fund – Each year, 10% of the General Revenue Fund’s certified appropriation level is set aside to meet anticipated monthly cash flow needs for the new fiscal year. At the close of fiscal year 2004, the amount the State set aside was \$431.8 million.

General Revenue Funds - The fiscal year 2004 cash carryover available to the next Legislature was \$1.1 million, compared to \$0 in fiscal year 2003. The carryover funds reflect the difference between the 95% appropriation limit and actual receipts up to 100% of the estimate. Funds required to replenish or increase the cash-flow reserve fund also come from this source.

Constitutional Reserve "Rainy Day Fund" - At the start of each fiscal year, collections that exceed the estimate for the preceding year are automatically deposited in the Rainy Day Fund until the total balance equals 10% of the prior year's certified appropriation authority for the General Revenue Fund. For the fiscal year beginning July 1, 2004, this fund had a balance of \$217,705,000.

FOR THE FUTURE

The State of Oklahoma weathered the economic recession of 2001-2002 and is now poised to enter a new period of economic growth. In an effort to fully realize this potential growth and make the State a better place for all Oklahomans, state government has focused on certain key issues. Three areas have been identified as critical for a bright strong future: education, health care, and economic development.

During the 2004 Legislature, an aggressive education initiative was enacted that will raise Oklahoma's average teacher salary to the regional average over a 4 year period. Additionally, Oklahoma voters demonstrated their support of increased education funding with the passage of State Questions 705 and 706, creating the Oklahoma Education Lottery, and State Question 712 which authorized compacts with Native American Tribes for limited gaming operations with the additional state revenue dedicated to fund education. These initiatives are projected to bring in more than \$200 million of new revenue to improve education at all levels in Oklahoma.

Improving Oklahomans access to high quality affordable health care is an important step in advancing economic growth throughout the state. The citizens of Oklahoma demonstrated the level of importance they place on this issue with the passage of State Question 713 in the November 2004 general election. This measure provided for a cigarette and tobacco tax increase with the additional revenue directed to important health issues. Of primary importance is \$50 million of the revenue that is dedicated for the provision of health insurance premium assistance for Oklahoma's working poor families.

The final area in which State government is focusing significant effort is economic development. Included in State Question 713 were a number of taxation measures that remove barriers to investment, which is the key to economic growth. Notably, the measure eliminated the income tax on capital gains from Oklahoma investments and permanently lowered the individual income tax rate.

Building on these initiatives, Oklahoma state government will continue its efforts to improve the lives of all Oklahomans. These efforts will remain focused in the three areas that are critical for moving the state forward. We will continue to make investments in a high quality educational system where all students can succeed, making first-rate health care available and affordable for all Oklahomans and encouraging investors to put their money to work in Oklahoma creating more jobs and higher incomes.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Oklahoma for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Since 1996, the State of Oklahoma has received the Certificate of Achievement. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

The Office of State Finance is pleased to recognize and commend the efforts of the numerous individuals across the State who made this Comprehensive Annual Financial Report possible. Questions or requests for additional information related to this report can be directed to our office at (405) 521-2141.

Respectfully submitted,



Scott Meacham
Director of State Finance



Brenda Bolander
State Comptroller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

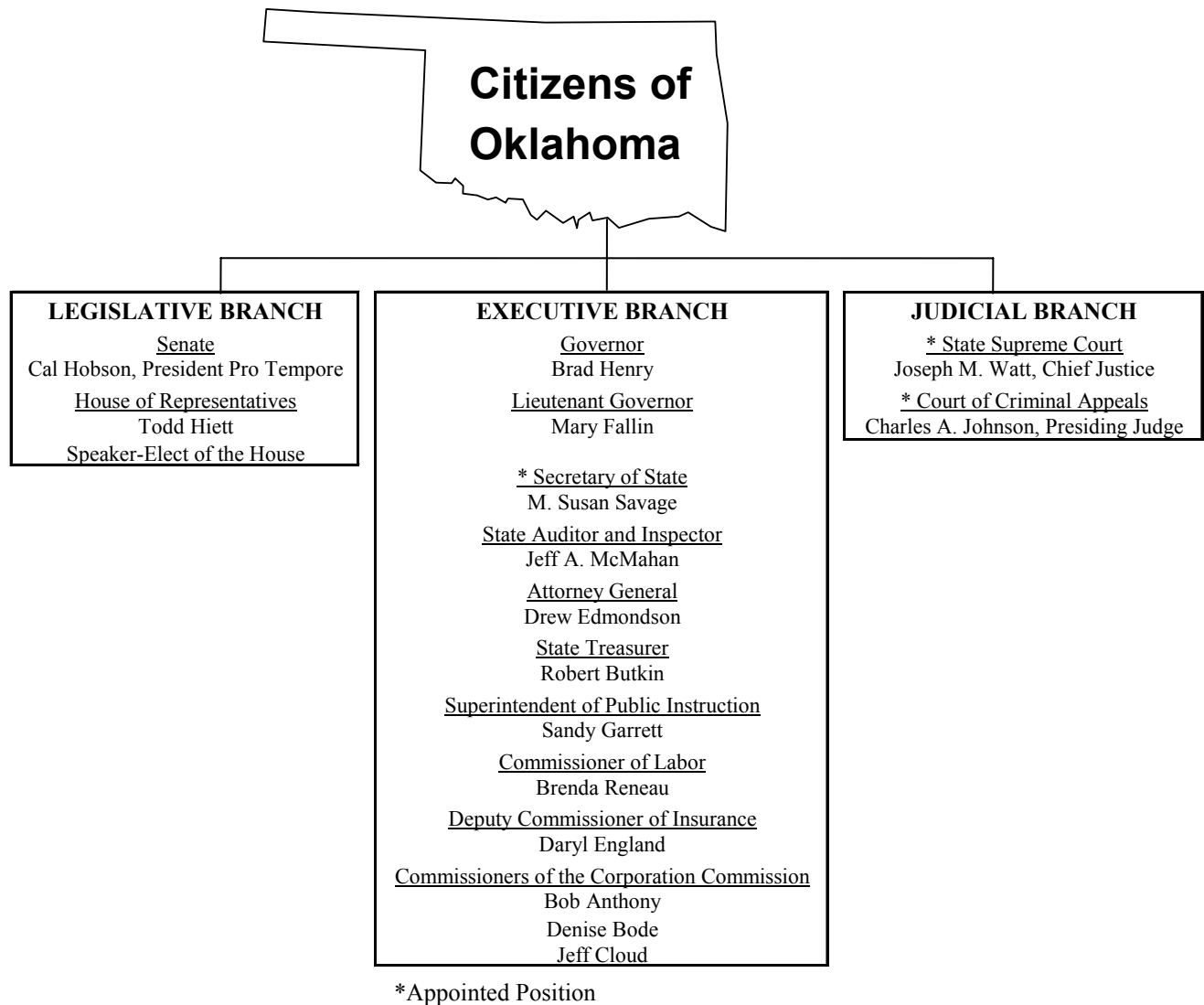
President

Jeffrey R. Enen

Executive Director

SELECTED OKLAHOMA STATE OFFICIALS

June 30, 2004



CABINET DEPARTMENT SECRETARIES

Agriculture	Finance & Revenue	Safety & Security
Commerce &	Health	Secretary of State
Tourism	Human Resources &	Science & Tech.
Education	Administration	Development
Energy	Human Services	Transportation
Environment	Military Affairs	Veterans Affairs

The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of the Executive Branch agencies. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page.

305	Office of the Governor	750	Tulsa Community College	632	Speech-Lang. Pathology & Aud. Bd.
440	Office of the Lieutenant Governor	120	University of Central Oklahoma	516	State and Ed. Empl. Group Ins. Bd.
	<u>Agriculture</u>	760	University of Oklahoma	755	Used Motor Vehicle & Parts
40	Agriculture, Department of	150	Univ. of Science and Arts of Okla.	790	Veterinary Medical Examiners Board
39	Boll Weevil Eradication Org.	41	Western Oklahoma State College		
645	Conservation Commission				<u>Human Services</u>
615	Foresters, Board of Registered	185	Corporation Commission *	127	Children & Youth, Commission
535	Peanut Commission	359	Energy Resources Board	783	Community Hospitals Authority
875	Wheat Commission	980	Grand River Dam Authority	326	Handicapped Concerns, Office of
		307	Interstate Oil Comp. Com.	830	Human Services, Department of
	<u>Commerce and Tourism</u>	445	LPG Board	360	Indian Affairs Commission
981	Capital Investment Board	444	LPG Research, Marketing and Safety	670	J.D. McCarty Center
007	Centennial Commission	446	Marg. Prod. O&G Wells, Comm. on	400	Juvenile Affairs, Office of
160	Commerce, Department of	125	Mines, Department of	619	Physicians Manpower Trng. Comm.
900	Development Finance Authority			805	Rehabilitative Services
350	Historical Society			825	University Hospitals Authority
922	Housing Finance Authority	292			<u>Military Affairs</u>
370	Industrial Finance Authority	920	Dept. of Environmental Quality	25	Military Department
204	J.M. Davis Memorial Commission	835	Environmental Finance Authority		
405	Labor, Department of *	320	Water Resources Board		<u>Safety and Security</u>
981	Municipal Power Authority		Wildlife Conservation, Dept. of	30	ABLE Commission
361	Native American Cultural/Ed. Auth			49	Attorney General *
568	Scenic Rivers Comm.	300		772	Chem. Tests for Alc/Drug Infl., Bd. of
566	Tourism & Recreation, Dept. of	65	<u>Finance and Revenue</u>	309	Civil Emergency Mgmt, Dept. of
880	Will Rogers Memorial Commission	91	Auditor & Inspector *	131	Corrections Department
		90	Banking Department	220	District Attorney's Council
	<u>Education</u>	315	Building Bonds Commission	310	Fire Marshal, State
44	Anatomical Board	385	Finance, Office of State	47	Indigent Defense System
55	Arts Council	410	Firefighters Pension & Retirement	308	Investigation, Bureau of
800	Career & Technology Education	416	Insurance Department *	415	Law Enf. Educ. & Trng., Council on
266	Educational TV Authority	557	Land Office, Commissioners of the	342	Medicolegal Investigations, Bd. of
265	Education, Department of *	515	Law Enforcement Retirement	477	Narcotics & Dang. Drugs, Bureau of
430	Library Department	390	Police Pension & Retirement System	306	Pardon and Parole Board
563	Private Vocational School, Board of	695	Public Employees' Retirement System	585	Public Safety, Department of
629	School of Science & Mathematics	715	CompSource Oklahoma		
269	Teacher Preparation, Comm. for	740	Tax Commission		<u>Science and Technology Dev.</u>
			Teachers' Retirement System	628	Center f/t Adv. of Sci. & Technology
			Treasurer *		
	<u>Colleges and Universities:</u>				<u>Secretary of State</u>
100	Cameron University	807	<u>Health</u>		Election Board
108	Carl Albert State College	340	Health Care Authority	270	Ethics Commission
165	Connors State College	452	Health, Department of	678	Judicial Complaints, Council on
230	East Central University	509	Mental Health and Sub. Abuse Svc.	625	Secretary of State
240	Eastern Oklahoma State College	092	Nursing Homes, Board of Exam. for		
420	Langston University		Tobacco Settle. End. Trust Bd. of Dir.		<u>Transportation</u>
470	Murray State College			978	Okla. Transportation Authority
480	Northeastern Okla. A & M College	20		346	Space Industry Development Auth.
485	Northeastern State University	45	<u>Human Resources and Admin.</u>	345	Transportation, Department of
490	Northern Oklahoma College	105	Accountancy Board	060	Aeronautics Commission
505	Northwestern Oklahoma State Univ.	580	Architects, Board of Gov. of Licensed		
530	Oklahoma Panhandle State Univ.	145	Capitol Improvement Authority		<u>Veterans Affairs</u>
10	Oklahoma State University	635	Central Services, Dept. of	650	Veterans Affairs, Department of
761	Oklahoma University Law Center	190	Chiropractic Examiners Board		
633	Oklahoma City Community College	215	Consumer Credit, Comm. for		
770	Okla. University Health Science Ctr.	815	Cosmetology Board		
773	OSU -College of Osteopathic Medicine	290	Dentistry, Board of		
14	OSU -College of Veterinary Medicine	285	Employees Benefits Council		
11	OSU -Experiment Station	353	Employment Security Commission		
12	OSU -Extension Division	355	Funeral Board		
13	OSU -School of Tech. Training	450	Horse Racing Commission		
15	OSU -Technical Institute of OKC	298	Human Rights Commission		
16	OSU -Tulsa	475	Medical Licensure & Supv., Bd. of		
771	OU Health Sci. Ctr. Prof. Prac. Plan	510	Merit Protection Commission		
620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.	520	Motor Vehicle Commission		
241	Redlands Community College	525	Nursing Board		
600	Regents for A&M Colleges	343	Optometry Board		
605	Regents for Higher Education	548	Osteopathic Examiners Board		
610	Regents for Oklahoma Colleges	560	Perfusionists, State Bd. of Examiners		
461	Rogers State University	140	Personnel Management		
531	Rose State College	570	Pharmacy Board		
623	Seminole State College	575	Podiatric Medical Examiners, Bd. of		
660	Southeastern Oklahoma State Univ.	588	Prof. Engin. & Land Surveyors Bd.		
665	Southwestern Oklahoma State Univ.	630	Psychologists, Bd. of Examiners		
618	Student Loan Authority	622	Real Estate Commission		
			Securities Commission		
			Social Workers Board, Bd. of Lic.		

* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.



Financial Section

Financial Section



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

INDEPENDENT AUDITOR'S REPORT

**TO THE GOVERNOR AND MEMBERS
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2004, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, the Oklahoma Department of Wildlife Conservation, or the Oklahoma Sorghum Commission, which in the aggregate represent eleven percent and four percent, respectively, of the assets and revenues of the governmental activities, and two percent of both the assets and revenues of the general fund.
- the financial statements of the Water Resources Board which in the aggregate represent sixty-seven percent and eight percent, respectively, of the assets and revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, or the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, or the Oklahoma Department of Wildlife Conservation Retirement Plan, which in the aggregate represent ninety-nine percent of both the assets and revenues/additions of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

State of Oklahoma as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the State of Oklahoma implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units* as of July 1, 2003.

As discussed in the notes to the financial statements, the Teachers' Retirement System faces possible difficulty in meeting its future obligations. The auditor for the Teachers' Retirement System reported, "the System's actuary has determined that the System's unfunded actuarial accrued liability (UAAL) is approximately \$7,419,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. The present funding schedule is not sufficient to amortize the UAAL." Note 2 to the System's financial statements discloses: "The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the System's funded ratio is only 47.3% at June 30, 2004..." The ultimate outcome of the ability of the System to meet its future obligations is dependent on funding established by Oklahoma Statutes, and cannot presently be determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2005, on our consideration of the State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is issued under separate cover with the State of Oklahoma's Single Audit Reports.

The Management's Discussion and Analysis, the Budgetary Comparison Schedule, and the Schedule of Funding Progress presented in Note 14 to the basic financial statements are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, statistical section, combining financial statements, and the Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)-General Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)-General Fund has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it. The introductory section and the statistical section listed in the aforementioned table of contents have not been audited by us, and accordingly, we do not express an opinion on them.



JEFF A. McMAHAN
State Auditor and Inspector

May 20, 2005



Management's Discussion and Analysis

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Oklahoma provides this *Management's Discussion and Analysis* of the State of Oklahoma's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Oklahoma is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the State's financial statements which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets - The assets of the State exceeded its liabilities at fiscal year ending June 30, 2004 by \$10.2 billion (presented as "net assets"). Of this amount, \$2.2 billion was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the State's ongoing obligations to citizens and creditors.

Changes in Net Assets - The State's total net assets increased by \$803 million (an 8.6% increase) in fiscal year 2004, much improved over the 0.2% increase from the previous fiscal year. Net assets of governmental activities increased by \$795.8 million (a 9.2 % increase), while net assets of the business-type activities showed an increase of \$7.2 million (a 1 % increase).

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2004, the State's governmental funds reported a combined ending fund balance of \$3.5 billion, an increase of \$401.1 million in comparison with the prior year. Of this total amount, \$1.72 billion represents the "unreserved fund balances", all being in the general fund. Of this \$1.72 billion, \$432 million (increased \$14 million) is in the Cash Flow Reserve Fund and \$217.5 million (increased \$217.4 million) is in the Rainy Day Fund leaving \$1.1 billion (increased \$245 million) as undesignated for the general fund. This \$1.1 billion is roughly 9.7% of the total governmental funds expenditures for the year. This ratio improved from 7.7% a year ago.

Long-term Debt:

The State's total long-term debt obligations showed a net decrease of \$207 million (15.3%) in the governmental type activities but showed a net increase of \$182 million (51.6%) in the business type activities during the current fiscal year.

The key factor causing the governmental type decrease was the refunding of \$270 million in general obligation bonds that were redeemed shortly after the start of the year on July 15, 2003. The \$261.2 million of new refunding general obligation bonds had been recorded in the previous year and caused last year's large increase. Had the old refunded bonds been redeemed in the prior fiscal year, the State's governmental activities would have shown an increase this year of \$63 million.

The large debt increase in the business type activities was from the issuance of \$251 million in new revenue bonds by the Oklahoma Water Resources Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State of Oklahoma's basic financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required

supplementary information (budgetary schedules) and other supplementary information (combining financial statements) in addition to the basic financial statements themselves. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the ***Government-Wide Financial Statements*** and the ***Fund Financial Statements and Combining Major Component Unit Financial Statements***. These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Government-Wide Financial Statements

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *statement of net assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the state's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education (support for both common public schools and higher education), general government, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission) and the State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board). Both of these programs operate with minimal assistance from the governmental activities of the state.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The State's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units.

The State's eight discretely presented major component units are:

- CompSource Oklahoma
- State and Education Employees Group Insurance Board
- Oklahoma Student Loan Authority

Oklahoma Housing Finance Agency
Oklahoma Transportation Authority
Grand River Dam Authority
Oklahoma Municipal Power
Higher Education Component Unit

The State's eight other (or nonmajor) component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

Oklahoma Educational Television Authority
Oklahoma Industrial Finance Authority
Health Insurance High Risk Pool
Multiple Injury Trust Fund
University Hospitals Authority
Oklahoma Development Finance Authority
Oklahoma Capital Investment Board
Oklahoma Environmental Finance Authority

Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements and Major Component Unit Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements. All of the funds of the State can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are:

Governmental Funds Financial Statements – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State has four governmental funds. All four governmental funds are considered major funds for financial reporting purposes. These four major funds are – the General Fund, the Commissioners of the Land Office Permanent Fund, the Department of Wildlife Conservation Permanent Fund, and the Tobacco Settlement Endowment Permanent Fund. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State has two enterprise funds, with both being considered major proprietary funds for presentation purposes. As previously mentioned, they are the operations of the Oklahoma Unemployment Insurance Trust Fund (by the Oklahoma Employment Security Commission) and the State’s program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems (by the Oklahoma Water Resources Board).

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Funds and Similar Component Units Financial Statements – These funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The State’s fiduciary funds are the Pension Trust Funds (seven separate retirement plans for employees), the Investment Trust Fund (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool), and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds and similar component units’ financial statements can be found immediately following the proprietary fund financial statements.

Component Units Financial Statements – As mentioned above, these are operations for which the State has financial accountability but they have certain independent qualities as well, and they operate similar to private-sector businesses. The government-wide financial statements present information for the component units in a single column of the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The combining statement of net assets and combining statement of changes in net assets provide detail for each major component unit and the nonmajor component units in aggregate. Individual nonmajor component unit detail can be found in the combining financial statements described below.

The basic combining financial statements for major component units can be found immediately following the fiduciary fund and similar component unit’s financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with fiduciary funds and nonmajor component units are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

Budgetary Detail

The Schedule of Expenditures and Intra-Agency Transfers – Detail Budget to Actual Comparison is presented in this section. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$10.2 billion at the end of 2004, compared to \$9.4 billion at the end of the previous year.

The largest portion of the State's net assets (59%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Oklahoma's Net Assets-Primary Government

(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003 (as restated)	2004	2003	2004	2003 (as restated)
Current Assets	\$ 3,791,593	\$ 4,034,921	\$ 485,310	\$ 526,475	\$ 4,276,903	\$ 4,561,396
Capital Assets	6,932,746	6,769,373	220	121	6,932,966	6,769,494
Other Assets	1,585,005	217,917	766,374	535,178	2,351,379	753,095
Total Assets	12,309,344	11,022,211	1,251,904	1,061,774	13,561,248	12,083,985
Noncurrent Liabilities	1,073,914	1,012,766	509,416	305,119	1,583,330	1,317,885
Other Liabilities	1,791,251	1,361,074	32,112	53,486	1,823,363	1,414,560
Total Liabilities	2,865,165	2,373,840	541,528	358,605	3,406,693	2,732,445
Invested in Capital Assets, Net of Related Debt	5,991,173	5,622,888	220	121	5,991,393	5,623,009
Restricted	1,497,652	1,645,107	485,159	482,163	1,982,811	2,127,270
Unrestricted	1,955,354	1,380,376	224,997	220,885	2,180,351	1,601,261
Total Net Assets	\$ 9,444,179	\$ 8,648,371	\$ 710,376	\$ 703,169	\$10,154,555	\$ 9,351,540

An additional portion of the State's net assets (almost 20%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

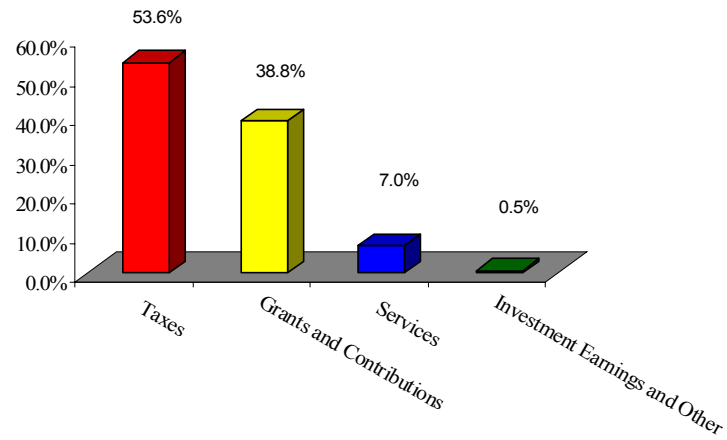
Changes in Net Assets

The State's net assets increased by \$803 million or 8.6%. Approximately 52 percent of the State's total revenue came from taxes, while 38 percent resulted from grants and contributions (including federal aid). Charges for various goods and services provided close to 9 percent of the total revenues. The State's expenses cover a range of services. The largest expenses were for general (common public schools) and higher education, social services, and general government. In 2004, governmental activity expenses exceeded program revenues, resulting in the use of \$5.5 billion in general revenues (mostly taxes). The business-type activities' program revenues exceeded their expenses for 2004 by \$7.2 million.

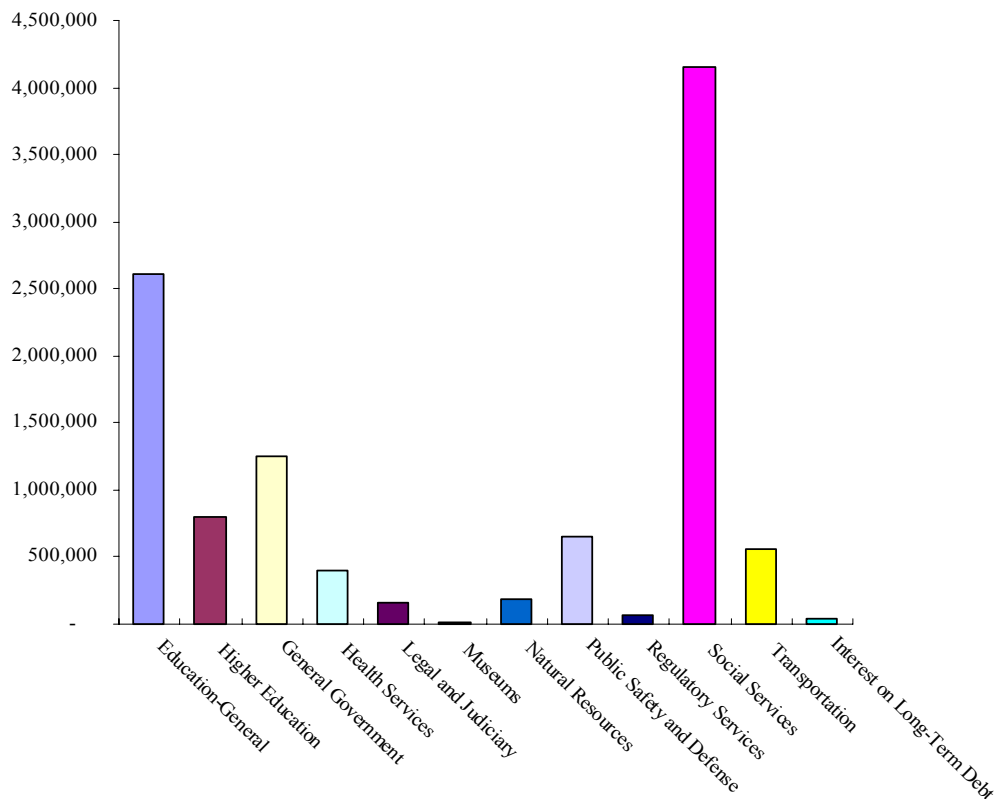
State of Oklahoma's Changes in Net Assets-Primary Government

	(expressed in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 819,899	\$ 773,955	\$ 276,549	\$ 195,076	\$ 1,096,448	\$ 969,031
Operating Grants and Contributions	4,533,045	4,012,431	82,199	104,568	4,615,244	4,116,999
Capital Grants and Contributions	9,056	16,396	-	-	9,056	16,396
General Revenues:						
Income Taxes-Individual	2,427,239	2,137,892	-	-	2,427,239	2,137,892
Income Taxes-Corporate	199,937	180,400	-	-	199,937	180,400
Sales Taxes	1,623,423	1,489,790	-	-	1,623,423	1,489,790
Gross Production Taxes	656,035	539,802	-	-	656,035	539,802
Motor Vehicle Taxes	572,844	539,748	-	-	572,844	539,748
Fuel Taxes	383,871	378,021	-	-	383,871	378,021
Other Taxes	405,414	475,072	-	-	405,414	475,072
Investment Earnings	21,600	38,307	-	-	21,600	38,307
Other	39,039	41,032	-	-	39,039	41,032
Total Revenues	11,691,402	10,622,846	358,748	299,644	12,050,150	10,922,490
Expenses:						
Education-General	2,614,823	2,522,466	-	-	2,614,823	2,522,466
Education-Payments to Higher Education	802,985	800,490	-	-	802,985	800,490
General Government	1,254,177	1,203,741	-	-	1,254,177	1,203,741
Health Services	393,661	399,572	-	-	393,661	399,572
Legal and Judiciary	160,952	167,971	-	-	160,952	167,971
Museums	11,042	11,008	-	-	11,042	11,008
Natural Resources	181,033	190,289	-	-	181,033	190,289
Public Safety and Defense	645,820	603,306	-	-	645,820	603,306
Regulatory Services	71,733	175,512	-	-	71,733	175,512
Social Services	4,154,504	3,858,546	-	-	4,154,504	3,858,546
Transportation	559,628	545,193	-	-	559,628	545,193
Interest on Long-Term Debt	45,615	46,174	-	-	45,615	46,174
Unemployment Insurance Trust Fund	-	-	335,197	365,701	335,197	365,701
State Loan Program to Local Governments	-	-	15,965	13,792	15,965	13,792
Total Expenses	10,895,973	10,524,268	351,162	379,493	11,247,135	10,903,761
Increase (Decrease) in Net Assets Before Transfers	795,429	98,578	7,586	(79,849)	803,015	18,729
Transfers	379	577	(379)	(577)	-	-
Change in Net Assets	795,808	99,155	7,207	(80,426)	803,015	18,729
Net Assets, Beginning of Year (as restated)	8,648,371	8,549,216	703,169	783,595	9,351,540	9,332,811
Net Assets, End of Year	\$ 9,444,179	\$ 8,648,371	\$ 710,376	\$ 703,169	\$ 10,154,555	\$ 9,351,540

Revenues - Governmental Activities Fiscal Year 2004



Expenses - Governmental Activities Fiscal Year 2004

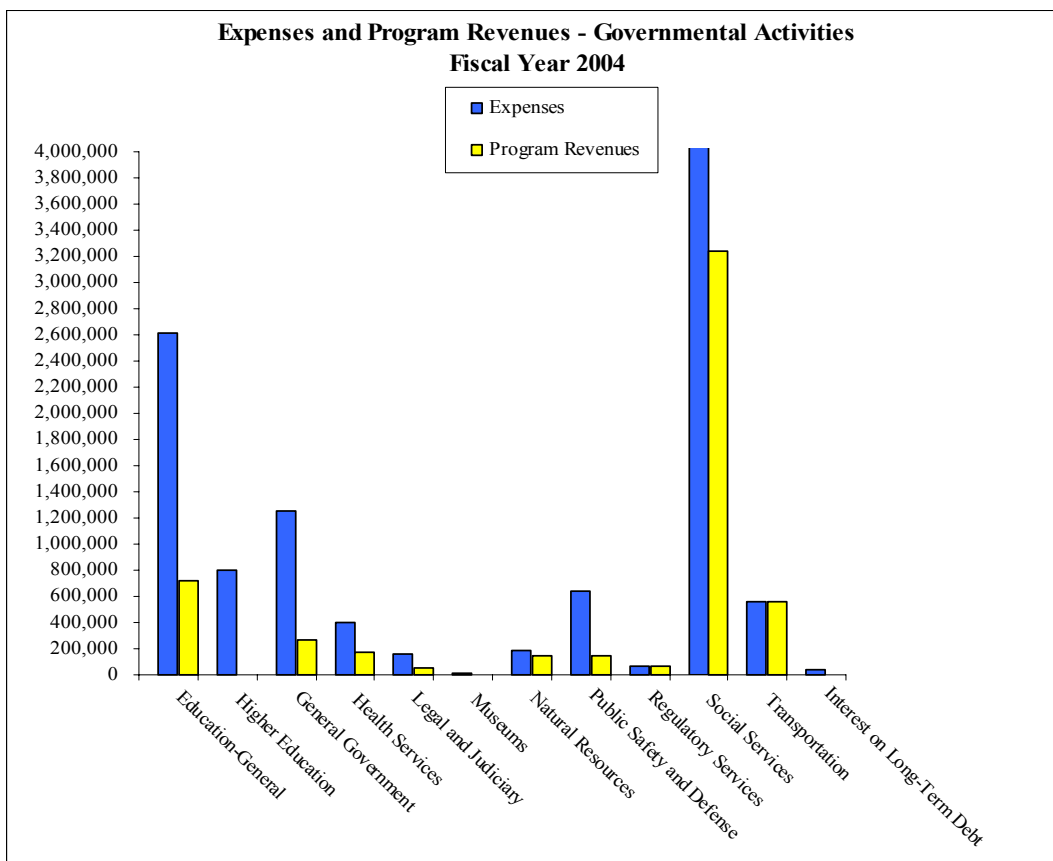


Governmental Activities

Governmental activities increased the State's net assets by \$795.8 million. Tax revenues were up in most major types. Total revenues were up by \$1.069 billion, or 10.1% in 2004. Most of this increase came from personal income taxes, sales taxes and grants. The State showed a \$116.2 million increase in gross production taxes as natural gas production in the state continued to improve in 2004. Fiscal year 2004's improvement in net assets of \$795.8 million more than recovered the decrease the state suffered two fiscal years ago.

A comparison of the cost of services by function for the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities (expressed in thousands).

Governmental Activities	
Expenses Net of Program Revenues:	
Education-General	\$ (1,897,349)
Education-Payment to Higher Education	(802,985)
General Government	(982,658)
Health Services	(221,330)
Legal and Judiciary	(104,579)
Museums	(7,489)
Natural Resources	(40,072)
Public Safety and Defense	(505,593)
Regulatory Services	(1,055)
Social Services	(919,591)
Transportation	(5,657)
Interest on Long-Term Debt	(45,615)
Total Governmental Activities Expenses	(5,533,973)
General Revenues:	
Taxes	6,268,763
Investment Earnings	21,600
Contributions to Permanent Funds	39,039
Other	379
Increase in Governmental Activities Net Assets	\$ 795,808



Business-Type Activities

The business-type activities increased the State's net assets in business-type activities by \$7.2 million, a 1% increase, to \$710.4 million. This increase is an improvement over last year's 10.3% decrease from its preceding year. The net increase resulted from the offset of a \$6.3 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF) and an increase in net assets of \$13.5 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units. As further discussed in the proprietary funds section below, the OUITF reduction is an improvement over the \$106.7 million decrease in 2003 and \$21.2 million decrease in 2002. The decline in net assets continued even though payments for unemployment benefits decreased by \$30.5 million, or 8.3%, over a year ago. Better unemployment rates in the state contributed to this smaller payout. Also, federal grant revenues declined by \$11.8 million (a 15.2% decrease). Lower interest earnings on investments and loans receivable also weakened financial performance for the year.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$3.5 billion, an increase of \$401 million from the prior year. Less than one half (\$1.7 billion or 49%) of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior fiscal year (\$222 million), 2) to pay debt service (\$70 million), 3) to be held in permanent trust funds for education, wildlife and prevention of tobacco related health issues (\$1.424 billion) or 4) for a variety of other restricted purposes (\$63 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.72 billion, while the total fund balance increased \$242 million to \$2.07 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16% of total general fund expenditures (up from 12% a year ago), while total fund balance represents 19% of that same amount (up from 17%).

Overall the fund balance of the State's general fund increased by \$242 million during the current fiscal year. This is a 13.2% increase from the prior year. That year actually produced an \$8.6 million decrease in total fund balance.

The Commissioners of the Land Office Permanent Fund, which accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma, continues to recover from a two year period in 2002 and 2001 of poor investment earnings which caused noticeable decreases in fund balance. Because of better market conditions, this fund reported a \$169 million gain in net investment revenues. This is a \$39 million improvement over last year's gain of \$130 million. Overall, the current year activity resulted in an increase in the fund balance of \$103.9 million for the year. This is an increase of about 9.7% from the previous year fund balance. Expenditures and transfers from the fund to benefit educational systems in Oklahoma increased by \$0.4 million to about \$76 million.

The Department of Wildlife's Lifetime Licenses fund balance increased by 3.1% to nearly \$61 million. This increase occurred despite a large decrease in both license revenue and investment revenue over the previous year.

The Tobacco Settlement Endowment Permanent Fund holds certain moneys that are received in settlement of claims by the state against tobacco manufacturers. Earnings from these moneys are to be utilized for research, education,

prevention and treatment of tobacco related diseases and certain other health programs. This fund reported a \$53.2 million increase in fund balance with most of the increase, \$39 million, coming from the settlement payment by tobacco manufacturers for 2004. The prior year's payment was about \$41.8 million. The state now has \$188.6 million in the permanent fund.

Proprietary Funds

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented on the same basis of accounting, but provides more detail.

As discussed in the business-type activities section above, the State's net assets increased by \$7.2 million as a result of operations in the proprietary funds. This resulted from a \$6.3 million decrease in net assets by the Oklahoma Unemployment Insurance Trust Fund (OUITF) and an increase in net assets of \$13.5 million by the Oklahoma Water Resources Board's (OWRB) program for making loans to local government units for drinking and waste water facilities.

The OUITF reduction in net assets was less severe than the prior year's reduction of \$106.7 million by over \$100 million. Net assets stabilized as payments for unemployment benefits decreased by \$30.5 million, or 8.3%, over a year ago. Lower unemployment rates in the state contributed to this decreased payout. Revenues increased \$69.9 million overall, all from an increase in collections (sales and services) showing a \$91.6 million increase, or 61%. Reductions in federal grant revenues offset the collections increase by declining \$11.8 million (over a 15% decrease) down to only \$65.6 million in grant receipts. Other revenues accounted for \$4 million of the decrease. Investment earnings were down as well by \$5.9 million, or 21%, because of lower amounts to invest. These reductions in revenues combined to offset the gain from the additional collections.

The OWRB increased net assets by \$13.5 million which was \$12.8 million less than the \$26.3 million in the prior year. Interest earnings on loans were up by close to \$3.1 million due to improving interest rates on loans that contain variable rates. Federal grant revenues for new loans to local governments were down by more than \$16.4 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final budget were relatively minor (\$52.0 million increase in appropriations) and can be summarized as follows:

Most of the increase (\$39.5 million) represents fiscal year 2003 appropriations returned to agencies in July, 2003. In fiscal year 2003 agencies had four budget reductions due to revenue shortfalls. Due to the actual revenue collections being greater than anticipated after fiscal year end, agencies were reimbursed proportionately.

The Oklahoma Tax Commission received \$7.1 million in supplemental appropriations for an integrated collections system. This system will replace technology currently being utilized.

The Department of Corrections received \$5.0 million in supplemental appropriations to secure the necessary prison beds to protect public safety.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$12.9 billion, net of accumulated depreciation of \$6.0 billion, leaving a net book value of \$6.9 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was about 2.4% in terms of net book value. Actual expenditures to purchase or construct capital assets were \$635 million for the year, essentially

unchanged from the prior year. Most of this amount was used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled \$313 million. Additional information on the State's capital assets can be found in Note 5 of the notes to the financial statements of this report.

Debt Administration

The authority of the State to incur debt is described in Article X, Section 25, of the Oklahoma Constitution. In 1987, the State created the Executive Bond Oversight Commission and the Legislative Bond Oversight Commission. The commissions meet jointly to review all proposed debt issuances. Both commissions must approve each financing plan before obligations are issued. The legislation that created the bond oversight commissions also created the position of State Bond Advisor, who advises the commissions, and must approve the pricing and fees associated with any debt issuance.

General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt. Accordingly, all general obligation debt currently outstanding was approved by a vote of the citizens.

The State of Oklahoma's total debt decreased by \$25 million, or 1.5%, during the current fiscal year. This decrease is partially due to the refunding of \$270 million in Oklahoma Institutional Building general obligation bonds, Series 1992A and 1992B. The refunding date of the bonds was July 15, 2003. The proceeds from the 2003 refunding bonds were received in the prior fiscal year. The State issued \$34 million in new revenue bonds for construction of facilities, and \$22 million to refund OCIA Series B 1995 bonds. In addition, \$7.2 million in notes payable were entered into to finance the purchase and implementation of a new clean water facility. The State's program for making loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems issued \$256 million in new revenue bonds, notes and related premiums during the year, while at the same time retiring \$73.5 million.

Additional information on the State's long-term debt obligations can be found in Notes 9, 10, and 11 of the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The seasonally adjusted unemployment rate for the State of Oklahoma was 4.2% in December 2004, a decrease from a rate of 5.5% a year ago. This continues to compare favorably to the nation's unemployment rate of 5.1% in December 2004.

Inflationary trends in the region compare favorably to national indices as well.

These factors are considered by legislative leaders and management in preparing the State's budget for future years. (See below.)

During fiscal year 2004, unreserved fund balance in the general fund increased \$480 million to \$1.72 billion, with \$432 million of this in the Cash Flow Reserve Fund and \$218 million in the State's Rainy Day Fund leaving \$1.071 billion as undesignated. This \$1.071 billion is roughly 9.7% of the total governmental fund expenditures for the year.

Budget and Revenue Collections

The State Constitution requires adoption of a balanced budget. The revenue certification provided by the State Board of Equalization is the basis for development of the State's General Revenue Fund (GRF) budget. The GRF is a budgetary cash account included in the State's General Fund.

If new laws or changes in existing laws are passed that affect revenues, the Equalization Board meets to certify the effects of these changes on the official estimate. Appropriations in any fiscal year may not exceed 95% of the official revenue estimate (plus any cash funds on-hand and available for appropriation).

If collections to a certified cash account are insufficient to cover the appropriations from that account, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from that source. The Office of State Finance has the statutory duty to monitor revenue collections and, if warranted, to make reductions in appropriations to prevent deficit spending.

The Legislature may, in regular or special session, make selective reductions in spending or consider revenue increases. Like some other states, Oklahoma experienced a dramatic increase in revenue over the past year. The same factors that improved revenue collections in the last quarter of fiscal year 2003 continued as fiscal year 2004 began. This substantial improvement in revenue collections exceeded the budgetary estimates by 4.75%. As a result, the balances in the Rainy Day Fund increased from \$136,000 to \$218 million, providing a significant reserve in the event of an economic slowdown.

Fiscal Year 2005

Revenue collections continue to improve in the current fiscal year. In the first six months General Revenue Fund collections are ahead of both the prior year and estimated collections. The individual income tax, sales tax, motor vehicle tax and gross production tax on natural gas are performing well. The growth of individual income and sales tax collections is a good indicator that the underlying state economy continues to gain strength. The likelihood of budget cuts during the current fiscal year is remote unless the current trends reverse.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Oklahoma's finances for all of Oklahoma's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Oklahoma, Office of State Finance, 2300 N. Lincoln, Suite 122, Oklahoma City, OK 73105-4801.



Basic Financial Statements

Basic Financial Statements



Government Wide Financial Statements

Government Wide Financial Statements

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Statement of Net Assets
June 30, 2004
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets				
Cash/Cash Equivalents	\$ 2,062,120	\$ 431,252	\$ 2,493,372	\$ 663,380
Investments	103,518	1,668	105,186	1,641,613
Securities Lending Investments	889,677	0	889,677	257,146
Accounts Receivable	24,899	15,179	40,078	250,379
Interest and Investment Revenue Receivable	7,197	4,136	11,333	14,684
Federal Grants Receivable	382,373	461	382,834	4,926
Taxes Receivable	242,961	0	242,961	0
Leases Receivable	6,233	0	6,233	0
Leases Receivable - Component Units	2,420	0	2,420	0
Other Receivables	247	486	733	18,028
Notes Receivable	0	32,510	32,510	13,406
Internal Balances	382	(382)	0	0
Receivable from External Parties	99	0	99	9,693
Due from Component Units	2,729	0	2,729	3,396
Due from Primary Government	0	0	0	22,298
Inventory	43,576	0	43,576	51,368
Prepaid Items	18,944	0	18,944	5,305
Other Current Assets	4,218	0	4,218	12,007
Total Current Assets	3,791,593	485,310	4,276,903	2,967,629
Noncurrent Assets				
Cash/Cash Equivalents - Restricted	108,519	31,544	140,063	293,031
Short-Term Investments - Restricted	0	0	0	1,212,188
Long-Term Investments	0	77,865	77,865	821,583
Long-Term Investments - Restricted	1,276,152	161,222	1,437,374	0
Leases Receivable	24,549	0	24,549	1,019
Leases Receivable - Component Units	36,479	0	36,479	0
Long-Term Notes Receivable, Net	0	493,401	493,401	150,441
Long-Term Notes Receivable, Net - Restricted	0	0	0	677,414
Long-Term Due from Component Units	43,951	0	43,951	0
Capital Assets - Depreciable, Net	5,818,507	220	5,818,727	3,413,395
Capital Assets - Land	1,004,722	0	1,004,722	270,158
Capital Assets - Construction in Progress	109,517	0	109,517	442,822
Net Pension Asset	61,346	0	61,346	0
Other Noncurrent Assets	14,175	2,342	16,517	340,694
Other Noncurrent Assets - Restricted	19,834	0	19,834	26,955
Total Noncurrent Assets	8,517,751	766,594	9,284,345	7,649,700
Total Assets	12,309,344	1,251,904	13,561,248	10,617,329

The Notes to the Financial Statements are an integral part of this statement.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	540,855	276	541,131	182,375
Payable Under Securities Lending Agreements	889,677	0	889,677	257,146
Claims and Judgments	7,835	0	7,835	215,840
Interest Payable	23,153	3,355	26,508	84,260
Tax Refunds Payable	12,048	0	12,048	0
Payable to External Parties	803	0	803	365
Due to Component Units	17,829	0	17,829	3,396
Due to Primary Government	0	0	0	2,729
Due to Others	95,860	0	95,860	0
Unearned Revenue	88,316	0	88,316	153,740
Pension Obligation	2,331	0	2,331	0
Capital Leases	1,429	0	1,429	15,183
Capital Leases - Primary Government	0	0	0	2,420
Compensated Absences	78,310	88	78,398	53,227
Notes Payable	9,714	0	9,714	8,265
General Obligation Bonds	0	0	0	1,755
Revenue Bonds	19,588	26,335	45,923	202,038
Certificates of Participation	503	0	503	0
Other Current Liabilities	3,000	2,058	5,058	86,087
Total Current Liabilities	1,791,251	32,112	1,823,363	1,268,826
Noncurrent Liabilities				
Claims and Judgments	0	0	0	686,068
Due to Primary Government	0	0	0	43,244
Capital Leases	3,907	0	3,907	83,784
Capital Leases - Primary Government	0	0	0	36,480
Compensated Absences	52,650	0	52,650	19,385
Notes Payable	98,128	0	98,128	330,464
General Obligation Bonds	261,210	0	261,210	58,242
Revenue Bonds	621,031	508,392	1,129,423	3,939,771
Certificates of Participation	56	0	56	0
Other Noncurrent Liabilities	36,932	1,024	37,956	170,070
Total Noncurrent Liabilities	1,073,914	509,416	1,583,330	5,367,508
Total Liabilities	2,865,165	541,528	3,406,693	6,636,334
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,991,173	220	5,991,393	1,269,839
Restricted for:				
Capital Projects	4,540	0	4,540	0
Debt Service	69,554	76,217	145,771	262,480
Preservation of Wildlife	60,731	0	60,731	0
Educational Systems	1,174,231	0	1,174,231	0
Unemployment Benefits	0	408,942	408,942	0
Other Purposes				
Expendable	6,738	0	6,738	459,917
Nonexpendable	181,858	0	181,858	1,021,966
Unrestricted	1,955,354	224,997	2,180,351	966,793
Total Net Assets	\$ 9,444,179	\$ 710,376	\$ 10,154,555	\$ 3,980,995

The Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

					Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			Component Units
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Education-General	\$ 2,614,823	\$ 23,600	\$ 693,874	\$ 0	\$ (1,897,349)		\$ (1,897,349)	
Education-Payment to Higher Education	802,985	0	0	0	(802,985)		(802,985)	
General Government	1,254,177	103,377	168,142	0	(982,658)		(982,658)	
Health Services	393,661	48,308	124,023	0	(221,330)		(221,330)	
Legal and Judiciary	160,952	40,805	15,568	0	(104,579)		(104,579)	
Museums	11,042	2,778	775	0	(7,489)		(7,489)	
Natural Resources	181,033	87,984	52,977	0	(40,072)		(40,072)	
Public Safety and Defense	645,820	78,886	61,341	0	(505,593)		(505,593)	
Regulatory Services	71,733	66,177	4,501	0	(1,055)		(1,055)	
Social Services	4,154,504	289,548	2,936,309	9,056	(919,591)		(919,591)	
Transportation	559,628	78,436	475,535	0	(5,657)		(5,657)	
Interest on Long-Term Debt	45,615	0	0	0	(45,615)		(45,615)	
Total Governmental Activities	10,895,973	819,899	4,533,045	9,056	(5,533,973)		(5,533,973)	
Business-Type Activities:								
Employment Security Commission	335,197	263,265	65,607	0		\$ (6,325)	(6,325)	
Water Resources Board	15,965	13,284	16,592	0		13,911	13,911	
Total Business-Type Activities	351,162	276,549	82,199	0		7,586	7,586	
Total Primary Government	\$ 11,247,135	\$ 1,096,448	\$ 4,615,244	\$ 9,056	(5,533,973)	7,586	(5,526,387)	
Component Units:								
CompSource Oklahoma	\$ 271,763	\$ 284,177	\$ 0					\$ 12,414
State and Education Employees								
Group Insurance Board	569,230	603,479	0					34,249
Oklahoma Student Loan Authority	18,484	21,306	0					2,822
Oklahoma Housing Finance Agency	147,357	147,746	0					389
Oklahoma Transportation Authority	191,158	188,999	0					(2,159)
Grand River Dam Authority	208,683	213,124	0					4,441
Oklahoma Municipal Power Authority	133,785	134,568	0					783
Higher Education	2,768,721	2,324,493	0					(444,228)
Nonmajor Component Units	161,531	88,228	2,259					(71,044)
Total Component Units	\$ 4,470,712	\$ 4,006,120	\$ 2,259					(462,333)
General Revenues								
Taxes:								
Income Taxes-Individual					2,427,239	0	2,427,239	0
Income Taxes-Corporate					199,937	0	199,937	0
Sales Tax					1,623,423	0	1,623,423	0
Gross Production Taxes					656,035	0	656,035	0
Motor Vehicle Taxes					572,844	0	572,844	0
Fuel Taxes					383,871	0	383,871	0
Insurance Taxes					173,535	0	173,535	0
Beverage Taxes					68,617	0	68,617	0
Other Taxes					163,262	0	163,262	0
Payments from Primary Government					0	0	0	877,616
Contributions to Permanent Funds					39,039	0	39,039	0
Investment Earnings					21,600	0	21,600	0
Transfers					379	(379)	0	0
Total General Revenues and Transfers					6,329,781	(379)	6,329,402	877,616
Change in Net Assets					795,808	7,207	803,015	415,283
Net Assets - Beginning of Year (as restated)					8,648,371	703,169	9,351,540	3,565,712
Net Assets - End of Year					\$ 9,444,179	\$ 710,376	\$ 10,154,555	\$ 3,980,995

The Notes to the Financial Statements are an integral part of this statement.



Fund Financial Statements

Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2004
(expressed in thousands)

		Permanent Funds			
			Department of Wildlife	Tobacco Settlement	Total
	General	Commissioners of the Land Office	Lifetime Licenses	Endowment	Governmental Funds
Assets					
Assets					
Cash/Cash Equivalents	\$ 2,039,996	\$ 116,734	\$ 6,630	\$ 7,279	\$ 2,170,639
Investments	101,772	1,042,110	54,021	181,767	1,379,670
Securities Lending Investments	889,677	0	0	0	889,677
Accounts Receivable	24,899	0	0	0	24,899
Interest and Investment Revenue Receivable	6,404	8,984	0	884	16,272
Federal Grants Receivable	382,373	0	0	0	382,373
Taxes Receivable	242,961	0	0	0	242,961
Leases Receivable	30,782	0	0	0	30,782
Leases Receivable-Component Units	38,899	0	0	0	38,899
Other Receivables	247	4,676	0	0	4,923
Due from Other Funds	403	0	73	0	476
Due from Fiduciary Funds	99	0	0	0	99
Due from Component Units	2,729	0	0	0	2,729
Due from Component Units-Noncurrent	43,951	0	0	0	43,951
Inventory	43,576	0	0	0	43,576
Prepaid Items	18,944	0	0	0	18,944
Other Assets	4,211	6,083	7	0	10,301
Total Assets	<u>\$ 3,871,923</u>	<u>\$ 1,178,587</u>	<u>\$ 60,731</u>	<u>\$ 189,930</u>	<u>\$ 5,301,171</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 540,159	\$ 0	\$ 0	\$ 696	\$ 540,855
Payable Under Securities					
Lending Agreements	889,677	0	0	0	889,677
Claims and Judgments	7,835	0	0	0	7,835
Interest Payable	12,081	0	0	0	12,081
Tax Refunds Payable	12,048	0	0	0	12,048
Due to Other Funds	94	0	0	0	94
Due to Fiduciary Funds	803	0	0	0	803
Due to Component Units	17,814	0	0	15	17,829
Due to Others	95,860	0	0	0	95,860
Deferred Revenue	218,801	4,356	0	0	223,157
Other Liabilities	2,377	0	0	623	3,000
Total Liabilities	<u>1,797,549</u>	<u>4,356</u>	<u>0</u>	<u>1,334</u>	<u>1,803,239</u>
Fund Balances					
Reserved					
Encumbrances	222,263	0	0	0	222,263
Inventory/Prepaid Items	62,158	0	0	0	62,158
Debt Service	69,554	0	0	0	69,554
Preservation of Wildlife	0	0	52,275	0	52,275
Permanent Trust	0	1,170,372	0	181,858	1,352,230
Undistributed Revenue	0	3,859	8,456	6,738	19,053
Other Special Purposes	550	0	0	0	550
Unreserved, reported in					
General Fund					
Designated for Cash Flow Reserve Fund	431,772	0	0	0	431,772
Designated for Rainy Day Fund	217,501	0	0	0	217,501
Undesignated	1,070,576	0	0	0	1,070,576
Total Fund Balances	<u>2,074,374</u>	<u>1,174,231</u>	<u>60,731</u>	<u>188,596</u>	<u>3,497,932</u>
Total Liabilities and Fund Balances	<u>\$ 3,871,923</u>	<u>\$ 1,178,587</u>	<u>\$ 60,731</u>	<u>\$ 189,930</u>	

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 3,497,932

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of :

Land	\$ 1,004,722	
Buildings and Improvements	829,028	
Equipment	266,035	
Infrastructure	10,711,362	
Construction in Progress	109,517	
Accumulated Depreciation	(5,987,918)	
		6,932,746

Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 134,841

The Uniform Retirement System for Judges and Justices and the Oklahoma Law Enforcement Retirement System have been funded in excess of Annual Required Contributions, creating a negative net pension obligation. This asset is not a current available financial resource and is not reported in the funds. 61,346

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 5,028

Certain bonds issued by the State are for the purpose of refunding older bond issues. Some bonds that are refunded are done so at a loss to the State. These losses are costs in the funds, but are amortized over the life of the refunding bonds on the statement of net assets. 9,147

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable	(107,842)	
General Obligation and Revenue Bonds	(901,829)	
Capital Leases and Certificates of Participation	(5,895)	
Net Pension Obligation (Wildlife)	(2,331)	
Bond Issue Premium	(36,932)	
Accrued Interest on Bonds	(11,072)	
Compensated Absences	(130,960)	
		(1,196,861)

Net Assets of Governmental Activities \$ 9,444,179

The Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	General	Commissioners of the Land Office	Permanent Department of Wildlife Lifetime Licenses	Tobacco Settlement Endowment	Total Governmental Funds
Revenues					
Taxes					
Income Taxes-Individual	\$ 2,427,239	\$ 0	\$ 0	\$ 0	\$ 2,427,239
Income Taxes-Corporate	199,937	0	0	0	199,937
Sales Tax	1,623,423	0	0	0	1,623,423
Gross Production Taxes	656,035	0	0	0	656,035
Motor Vehicle Taxes	572,844	0	0	0	572,844
Fuel Taxes	383,871	0	0	0	383,871
Insurance Taxes	173,535	0	0	0	173,535
Beverage Taxes	68,617	0	0	0	68,617
Other Taxes	163,262	0	0	0	163,262
Licenses, Permits and Fees	257,683	0	0	0	257,683
Interest and Investment Revenue	47,201	169,209	1,714	16,436	234,560
Federal Grants	4,314,751	0	0	0	4,314,751
Sales and Services	146,896	9,881	1,537	0	158,314
Other	377,289	546	0	39,039	416,874
Total Revenues	11,412,583	179,636	3,251	55,475	11,650,945
Expenditures					
Current					
Education	3,342,814	71,042	0	0	3,413,856
General Government	1,240,291	0	0	2,271	1,242,562
Health Services	385,634	0	0	0	385,634
Legal and Judiciary	155,822	0	0	0	155,822
Museums	9,497	0	0	0	9,497
Natural Resources	170,469	0	0	0	170,469
Public Safety and Defense	596,905	0	0	0	596,905
Regulatory Services	70,559	0	0	0	70,559
Social Services	4,118,013	0	0	0	4,118,013
Transportation	205,421	0	0	0	205,421
Capital Outlay	635,411	0	0	0	635,411
Debt Service					
Principal Retirement	28,212	0	0	0	28,212
Interest and Fiscal Charges	45,615	0	0	0	45,615
Total Expenditures	11,004,663	71,042	0	2,271	11,077,976
Revenues in Excess of (Less Than) Expenditures	407,920	108,594	3,251	53,204	572,969
Other Financing Sources (Uses)					
Transfers In	6,575	0	0	0	6,575
Transfers Out	(38)	(4,716)	(1,442)	0	(6,196)
Bonds Issued	34,180	0	0	0	34,180
Notes Issued	54,770	0	0	0	54,770
Refunding Bonds Issued	22,070	0	0	0	22,070
Bond Issue Premiums	2,670	0	0	0	2,670
Bond Issue Discounts	(182)	0	0	0	(182)
Payment to Refunded Bond Escrow Agent	(298,591)	0	0	0	(298,591)
Capital Leases and Certificates of Participation	1,886	0	0	0	1,886
Sale of Capital Assets	11,008	0	0	0	11,008
Total Other Financing Sources (Uses)	(165,652)	(4,716)	(1,442)	0	(171,810)
Net Change in Fund Balances	242,268	103,878	1,809	53,204	401,159
Fund Balances - Beginning of Year (as restated)	1,832,106	1,070,353	58,922	135,392	3,096,773
Fund Balances - End of Year	\$ 2,074,374	\$ 1,174,231	\$ 60,731	\$ 188,596	\$ 3,497,932

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds \$ 401,159

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$491,468) exceeded depreciation (\$313,046) in the current period. 178,422

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (14,601)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 40,898

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$326,803) exceeded proceeds (\$110,574). 216,229

Bond issuance premiums are other financing sources to governmental funds, but are deferred liabilities in the statement of net assets. (2,426)

Contribution to certain pension plans use current financial resources from governmental funds, but increase the net pension obligation (\$611) or decrease the net pension asset (\$22,733) in the statement of activities. (23,344)

Some of the assets acquired this year were financed as capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are long-term liabilities in the statement of net assets. (1,822)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the decrease in interest payable (\$285) and the accretion of bond premiums (\$2,751) exceeded the increase in compensated absences (\$22) combined with the amortization of bond issuance costs (\$442) and the amortization of loss on refunded bonds (\$1,279). 1,293

Change in Net Assets of Governmental Activities \$ 795,808

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Assets
Proprietary Funds
June 30, 2004
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		
	Employment Security Commission	Water Resources Board	Total
Assets			
Current Assets			
Cash/Cash Equivalents	\$ 393,493	\$ 37,759	\$ 431,252
Investments	0	1,668	1,668
Accounts Receivable	15,179	0	15,179
Interest and Investment Revenue Receivable	0	4,136	4,136
Federal Grants Receivable	0	461	461
Other Receivables	464	22	486
Notes Receivable	0	32,510	32,510
Due from Other Funds	0	21	21
Total Current Assets	409,136	76,577	485,713
Noncurrent Assets			
Cash/Cash Equivalents - Restricted	0	31,544	31,544
Long-Term Investments	0	77,865	77,865
Long-Term Investments - Restricted	0	161,222	161,222
Long-Term Notes Receivable	0	493,401	493,401
Capital Assets, Net	0	220	220
Other Noncurrent Assets	0	2,342	2,342
Total Noncurrent Assets	0	766,594	766,594
Total Assets	409,136	843,171	1,252,307
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities	183	93	276
Interest Payable	0	3,355	3,355
Compensated Absences	0	88	88
Revenue Bonds	0	26,335	26,335
Due to Other Funds	11	392	403
Other Current Liabilities	0	2,058	2,058
Total Current Liabilities	194	32,321	32,515
Noncurrent Liabilities			
Revenue Bonds	0	508,392	508,392
Other Noncurrent Liabilities	0	1,024	1,024
Total Noncurrent Liabilities	0	509,416	509,416
Total Liabilities	194	541,737	541,931
Net Assets			
Invested in Capital Assets, net of related debt	0	220	220
Restricted for:			
Debt Service	0	76,217	76,217
Unemployment Benefits	408,942	0	408,942
Other Purposes	0	224,997	224,997
Total Net Assets	\$ 408,942	\$ 301,434	\$ 710,376

The Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		
	Employment Security Commission	Water Resources Board	Total
Operating Revenues			
Sales and Services	\$ 241,234	\$ 0	\$ 241,234
Federal Grants	0	8,907	8,907
Total Operating Revenues	241,234	8,907	250,141
Operating Expenses			
Administrative and General	0	3,615	3,615
Interest	0	11,839	11,839
Depreciation	0	55	55
Benefit Payments and Refunds	335,197	0	335,197
Total Operating Expenses	335,197	15,509	350,706
Operating Income (Loss)	(93,963)	(6,602)	(100,565)
Nonoperating Revenues (Expenses)			
Interest and Investment Revenue	22,031	16,592	38,623
Nonoperating Federal Grants	65,607	4,377	69,984
Other Nonoperating Expenses	0	(456)	(456)
Total Nonoperating Revenues (Expenses)	87,638	20,513	108,151
Income (Loss) Before Transfers	(6,325)	13,911	7,586
Transfers In	0	38	38
Transfers Out	0	(417)	(417)
Change in Net Assets	(6,325)	13,532	7,207
Total Net Assets - Beginning	415,267	287,902	703,169
Total Net Assets - Ending	\$ 408,942	\$ 301,434	\$ 710,376

The Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	Business-Type Activities - Enterprise Funds		
	Employment Security Commission	Water Resources Board	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 239,846	\$ 0	\$ 239,846
Receipts from Federal Grants	0	8,697	8,697
Payments of Benefits	(335,593)	0	(335,593)
Payments to Suppliers	0	(1,997)	(1,997)
Payments to Employees	0	(1,012)	(1,012)
Payments of Operating Interest Expense	0	(11,014)	(11,014)
Net Cash Used by Operating Activities	(95,747)	(5,326)	(101,073)
Cash Flows from Noncapital Financing Activities			
Federal Grants and Other Contributions	67,835	3,547	71,382
Proceeds from Bonds and Notes Payable	0	255,461	255,461
Transfers In	0	38	38
Transfers Out	0	(417)	(417)
Principal Paid on Bonds and Notes Payable	0	(65,130)	(65,130)
Payments for Note Issuance Costs	0	(1,294)	(1,294)
Payments for Defeasement of Notes	0	(4,830)	(4,830)
Payments for Arbitrage Rebate	0	(2,647)	(2,647)
Net Cash Provided by Noncapital Financing Activities	67,835	184,728	252,563
Cash Flows from Capital and Related Financing Activities			
Payments for Acquisition of Capital Assets	0	(154)	(154)
Net Cash Used by Capital and Related Financing Activities	0	(154)	(154)
Cash Flows from Investing Activities			
Interest and Investment Revenue	22,031	4,570	26,601
Proceeds from Sale and Maturity of Investments	0	28,854	28,854
Payments to Purchase Investments	0	(207,061)	(207,061)
Receipts of Principal on Notes Receivable	0	93,209	93,209
Receipts of Interest on Notes Receivable	0	11,883	11,883
Payments to Issue Notes Receivable	0	(136,541)	(136,541)
Net Cash Provided (Used) by Investing Activities	22,031	(205,086)	(183,055)
Net Decrease in Cash/Cash Equivalents	(5,881)	(25,838)	(31,719)
Cash/Cash Equivalents - Beginning of Year	399,375	95,141	494,516
Cash/Cash Equivalents - End of Year	\$ 393,494	\$ 69,303	\$ 462,797
Reconciliation of Operating Income (Loss) to Net Cash			
Used by Operating Activities			
Operating Income (Loss)	\$ (93,963)	\$ (6,602)	\$ (100,565)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	0	55	55
Amortization (Accretion) and Other Noncash Expenses	0	33	33
Decrease (Increase) in Assets			
Accounts Receivable	(1,388)	6	(1,382)
Federal Receivable	0	(210)	(210)
Increase (Decrease) in Liabilities			
Accounts Payable and Accrued Liabilities	(396)	380	(16)
Interest Payable	0	985	985
Compensated Absences	0	23	23
	0	4	4
Net Cash Used by Operating Activities	\$ (95,747)	\$ (5,326)	\$ (101,073)

The Notes to the Financial Statements are an integral part of this statement.

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Statement of Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
June 30, 2004
(expressed in thousands)

	Pension Trust Funds	Investment Trust Fund	Agency Fund
Assets			
Cash/Cash Equivalents	\$ 595,570	\$ 0	\$ 178,394
Investments, at fair value			
Equity Securities	7,857,021	0	0
Governmental Securities	3,141,599	0	0
Mutual Funds	2,129,053	0	0
Debt Securities	1,729,354	0	0
Other Investments	485,866	0	0
Securities Lending Investments	2,222,584	0	0
Accounts Receivable	0	0	54
Interest and Investment Revenue Receivable	45,476	0	1
Employer Contributions Receivable	20,555	0	0
Employee Contributions Receivable	18,506	0	0
Other Contributions Receivable	16,376	0	0
Other Receivables	393	0	0
Due from Brokers	267,734	0	0
Due from Other Funds	0	0	1,173
Inventory	0	0	3,730
Capital Assets, Net	754	0	0
Other Assets	315	0	0
Total Assets	18,531,156	0	\$ 183,352
Liabilities			
Accounts Payable	\$ 2,709	\$ 0	\$ 913
Tax Refunds Payable	0	0	6,282
Securities Lending Payable	2,222,584	0	0
Due to Brokers	665,828	0	0
Due to Other Funds	75	0	29
Due to Component Units	9,256	0	8,703
Due to Others	0	0	167,425
Benefits in the Process of Payment	90,606	0	0
Other Liabilities	6,815	0	0
Total Liabilities	2,997,873	0	\$ 183,352
Net Assets			
Held in Trust for Pension Benefits and Pool Participants	\$ 15,533,283	\$ 0	

The Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in
Fiduciary Net Assets
Fiduciary Funds and Similar Component Units
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	Pension Trust Funds	Investment Trust Fund
Additions		
Contributions		
Employer Contributions	\$ 409,218	\$ 0
Employee Contributions	317,770	0
Other Contributions	164,243	1,509
Total Contributions	891,231	1,509
Investment Earnings		
Net Increase in Fair Value of Investments	1,997,791	0
Interest and Investment Revenue	325,304	10
Total Investment Earnings	2,323,095	10
Less Investment Expenses	62,673	0
Net Investment Earnings	2,260,422	10
Total Additions	3,151,653	1,519
Deductions		
Administrative and General Expenses	11,754	0
Benefit Payments and Refunds	1,225,264	6,246
Total Deductions	1,237,018	6,246
Change in Net Assets	1,914,635	(4,727)
Net Assets - Beginning of Year	13,618,648	4,727
Net Assets - End of Year	\$ 15,533,283	\$ 0

The Notes to the Financial Statements are an integral part of this statement.

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MAJOR COMPONENT UNITS

The State of Oklahoma has eight major component units which are described below:

COMPSOURCE OKLAHOMA

P.O. Box 53505, Oklahoma City, Oklahoma 73152

The Fund provides a source of workers' compensation insurance for all employers within the state including state agencies and other governmental units. The Fund is financed through employer premiums.

STATE AND EDUCATION EMPLOYEES GROUP

INSURANCE BOARD

3545 N.W. 58th Street, Suite 1000, Oklahoma City, Oklahoma 73112

The Board provides varying coverage of group health, dental, life, and disability benefits to active employees and retirees of the State, local governments, and education entities as well as certain other eligible participants. The Board is financed through employer and employee premiums.

OKLAHOMA STUDENT LOAN AUTHORITY

4545 N. Lincoln Blvd., Suite 66, Oklahoma City, Oklahoma 73105

The Authority provides loans to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations.

OKLAHOMA HOUSING FINANCE AGENCY

100 N.W. 63rd Street, Suite 200, Oklahoma City, Oklahoma 73116

The Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of adequate residential housing and other economic development for the benefit of the State of Oklahoma.

OKLAHOMA TRANSPORTATION AUTHORITY

P.O. Box 11357, Oklahoma City, Oklahoma 73136

The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature and approved by the Department of Transportation. The Authority receives revenues from turnpike tolls and a percentage of the turnpike concessions sales. The Authority issues revenue bonds to finance the cost of turnpike projects.

GRAND RIVER DAM AUTHORITY

P.O. Box 409, Vinita, Oklahoma 74301

The Authority controls the waters of the Grand River system to generate water power and electric energy and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma.

OKLAHOMA MUNICIPAL POWER AUTHORITY

P.O. Box 1960, Edmond, Oklahoma 73083

The Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. The Authority also sells electric power to its member municipalities.

HIGHER EDUCATION

Higher Education is primarily comprised of colleges and universities which are members of the Oklahoma State System of Higher

Education. The System includes the following colleges and universities:

COMPREHENSIVE UNIVERSITIES

University of Oklahoma

Oklahoma State University

OTHER FOUR YEAR UNIVERSITIES

University of Central Oklahoma

East Central University

Northeastern State University

Northwestern Oklahoma State University

Southeastern Oklahoma State University

Southwestern Oklahoma State University

Cameron University

Langston University

Oklahoma Panhandle State University

Rogers State University

University of Science and Arts of Oklahoma

TWO YEAR COLLEGES

Carl Albert State College

Connors State College

Eastern Oklahoma State College

Redlands Community College

Murray State College

Northeastern Oklahoma A & M College

Northern Oklahoma College

Oklahoma City Community College

Rose State College

Seminole State College

Tulsa Community College

Western Oklahoma State College

Each institution which is a member of the Oklahoma State System of Higher Education (the "System") is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities:

Oklahoma State Regents for Higher Education serves as the coordinating board of control for the System.

Board of Regents of Oklahoma Colleges has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University.

Ardmore Higher Education Program and **McCurtain County Higher Education Program** were established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Programs earn credit applicable toward academic degrees and certificates at participating institutions in the System.

Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18 were created to provide secondary vocational, technical, and adult education programs for persons within their defined geographical boundaries.

Combining Statement of Net Assets
Major Component Units
June 30, 2004
(expressed in thousands)

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Transportation Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Assets										
Current Assets										
Cash/Cash Equivalents										
Unrestricted	\$ 9,396	\$ 24,743	\$ 1	\$ 5,383	\$ 13,835	\$ 13,760	\$ 0	\$ 495,301	\$ 100,961	\$ 663,380
Investments	780,851	169,720	4,468	1,145	141,453	79,422	1,954	430,186	32,414	1,641,613
Securities Lending Investments	257,146	0	0	0	0	0	0	0	0	257,146
Accounts Receivable	33,404	19,664	0	642	1,116	21,129	8,022	155,877	10,525	250,379
Interest and Investment										
Revenue Receivable	6,285	542	146	62	1,166	932	0	5,063	488	14,684
Federal Grants Receivable	0	0	0	0	0	0	0	4,926	0	4,926
Other Receivables	1,586	1,208	0	0	0	0	0	14,047	1,187	18,028
Notes Receivable	807	0	0	0	0	0	0	6,367	6,232	13,406
Due from Fiduciary Funds	0	9,693	0	0	0	0	0	0	0	9,693
Due from Other Component Units	155	0	0	0	0	452	0	2,643	146	3,396
Due from Primary Government	7,819	177	0	0	439	44	0	9,024	4,795	22,298
Inventory	0	0	0	0	1,281	25,506	1,699	22,882	0	51,368
Prepaid Items	0	0	0	212	167	1,520	0	3,269	137	5,305
Other Current Assets	1,476	0	0	0	0	0	496	10,035	0	12,007
Total Current Assets	1,098,925	225,747	4,615	7,444	159,457	142,765	12,171	1,159,620	156,885	2,967,629
Noncurrent Assets										
Cash/Cash Equivalents -										
Restricted	0	0	178	37,018	62,443	0	9,138	183,737	517	293,031
Investments - Restricted	0	0	20,430	551,405	146,629	152,710	53,850	286,858	306	1,212,188
Long-Term Investments										
Unrestricted	0	0	0	5,504	0	0	41,841	743,514	30,724	821,583
Leases Receivable	0	0	0	0	0	0	16	0	1,003	1,019
Long-Term Notes Receivable, Net										
Unrestricted	48,175	0	27,635	1,368	0	0	0	48,530	24,733	150,441
Restricted	0	0	663,447	13,967	0	0	0	0	0	677,414
Capital Assets										
Depreciable, Net	10,656	2,777	1,171	3,316	974,260	403,100	258,145	1,650,246	109,724	3,413,395
Land	1,425	0	0	550	162,207	26,503	0	75,338	4,135	270,158
Construction in Progress	0	0	0	0	68,378	7,813	488	365,669	474	442,822
Other Noncurrent Assets										
Unrestricted	0	0	233	4,762	8,609	53,248	145,402	107,340	21,100	340,694
Restricted	0	0	13,865	2,561	2,149	0	0	8,344	36	26,955
Total Noncurrent Assets	60,256	2,777	726,959	620,451	1,424,675	643,374	508,880	3,469,576	192,752	7,649,700
Total Assets	1,159,181	228,524	731,574	627,895	1,584,132	786,139	521,051	4,629,196	349,637	10,617,329

The Notes to the Financial Statements are an integral part of this statement.

	CompSource Oklahoma	State and Education Empl. Group Insurance Bd.	Oklahoma Student Loan Authority	Oklahoma Housing Finance Agency	Oklahoma Transportation Authority	Grand River Dam Authority	Oklahoma Municipal Power Authority	Higher Education Component Unit	Nonmajor Component Units Total	All Component Units Total
Liabilities										
Current Liabilities										
Accounts Payable and Accrued Liabilities	7,853	15,908	204	4,294	6,471	11,340	9,863	110,603	15,839	182,375
Payable Under Securities										
Lending Agreements	257,146	0	0	0	0	0	0	0	0	257,146
Claims and Judgments	116,318	80,041	0	0	0	0	0	3,090	16,391	215,840
Interest Payable	0	0	0	2,934	31,761	3,293	9,910	6,841	29,521	84,260
Due to Fiduciary Funds	1	5	0	0	4	353	0	0	2	365
Due to Other Component Units	180	4	0	0	29	54	452	152	2,525	3,396
Due to Primary Government	71	26	0	7	1,790	18	0	795	22	2,729
Deferred Revenue	61,667	0	0	3,073	15,042	0	0	73,767	191	153,740
Capital Leases	0	0	0	0	0	0	0	15,183	0	15,183
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	2,212	208	2,420
Compensated Absences	1,228	772	98	598	1,378	2,691	209	45,983	270	53,227
Notes Payable	0	0	0	0	0	0	1,052	6,406	807	8,265
General Obligation Bonds	0	0	0	0	0	0	0	430	1,325	1,755
Revenue Bonds	0	0	0	90,575	26,010	55,565	11,565	18,323	0	202,038
Other Current Liabilities	13,564	563	0	0	0	2,761	0	69,199	0	86,087
Total Current Liabilities	458,028	97,319	302	101,481	82,485	76,075	33,051	352,984	67,101	1,268,826
Noncurrent Liabilities										
Claims and Judgments	526,981	5,035	0	0	0	0	0	2,131	151,921	686,068
Due to Primary Government	0	0	0	0	43,244	0	0	0	0	43,244
Capital Leases	0	0	0	0	0	0	0	83,784	0	83,784
Capital Leases-Primary Govt.	0	0	0	0	0	0	0	35,437	1,043	36,480
Compensated Absences	0	0	0	0	0	0	0	19,293	92	19,385
Notes Payable	0	0	150,900	0	0	0	56,687	74,702	48,175	330,464
General Obligation Bonds	0	0	0	0	0	0	0	430	57,812	58,242
Revenue Bonds	0	0	507,510	446,597	1,214,207	643,326	401,088	716,046	10,997	3,939,771
Other Noncurrent Liabilities	0	0	2,688	2,758	0	14,953	9,600	138,881	1,190	170,070
Total Noncurrent Liabilities	526,981	5,035	661,098	449,355	1,257,451	658,279	467,375	1,070,704	271,230	5,367,508
Total Liabilities	985,009	102,354	661,400	550,836	1,339,936	734,354	500,426	1,423,688	338,331	6,636,334
Net Assets										
Invested in Capital Assets, Net of Related Debt	12,081	2,777	1,171	3,866	(34,496)	(90,611)	(3,368)	1,265,338	113,081	1,269,839
Restricted for:										
Debt Service	0	0	36,822	50,903	82,011	35,706	23,993	32,827	218	262,480
Other Special Purpose										
Expendable	0	0	0	0	45,678	27,760	0	349,737	36,742	459,917
Nonexpendable	0	0	0	0	0	0	0	1,021,966	0	1,021,966
Unrestricted	162,091	123,393	32,181	22,290	151,003	78,930	0	535,640	(138,735)	966,793
Total Net Assets	\$ 174,172	\$ 126,170	\$ 70,174	\$ 77,059	\$ 244,196	\$ 51,785	\$ 20,625	\$ 3,205,508	\$ 11,306	\$ 3,980,995

The Notes to the Financial Statements are an integral part of this statement.

Combining Statement of Activities
Major Component Units
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

		Program Revenues			General Revenue			Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from Primary Government	Change in Net Assets			
Component Units:	Expenses								
CompSource Oklahoma	\$ 271,763	\$ 284,177	\$ -	\$ 12,414	\$ -	\$ 12,414	\$ 161,758	\$ 174,172	
State and Education Employees									
Group Insurance Board	569,230	603,479	-	34,249	-	34,249	91,921	126,170	
Oklahoma Student Loan Authority	18,484	21,306	-	2,822	-	2,822	67,352	70,174	
Oklahoma Housing Finance Agency	147,357	147,746	-	389	-	389	76,670	77,059	
Oklahoma Transportation Authority	191,158	188,999	-	(2,159)	-	(2,159)	246,355	244,196	
Grand River Dam Authority	208,683	213,124	-	4,441	-	4,441	47,344	51,785	
Oklahoma Municipal Power Authority	133,785	134,568	-	783	-	783	19,842	20,625	
Higher Education Component Unit	2,768,721	2,324,493	-	(444,228)	802,985	358,757	2,846,751	3,205,508	
Nonmajor Component Units Total	161,531	88,228	2,259	(71,044)	74,631	3,587	7,719	11,306	
Total Component Units	\$ 4,470,712	\$ 4,006,120	\$ 2,259	\$ (462,333)	\$ 877,616	\$ 415,283	\$ 3,565,712	\$ 3,980,995	

The Notes to the Financial Statements are an integral part of this statement.



Notes to the Financial Statements

Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Oklahoma (the "State") have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In May 2002 the GASB issued Statement 39 *Determining Whether Certain Organizations are Component Units*. This Statement amends Statement 14 *The Financial Reporting Entity*, by providing additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. This Statement generally requires reporting organizations that raise and hold economic resources for the benefit of the primary government as component units. The State was required to implement this standard for the fiscal year ending June 30, 2004.

The accompanying financial statements present the financial position of the state and the various funds and fund types, the results of operations of the state and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2004, and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Oklahoma State Legislature and/or Constitutional Officers of the State of Oklahoma.

A. Reporting Entity

The State has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State. Local school districts (the State's support of the public education system is reported in the General Fund) and other local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included.

GASB Statement 39 *Determining Whether Certain Organizations are Component Units* stipulates additional criteria for determining whether legally separate organizations are component units. Organizations requiring discreet presentation should meet all of the following criteria: 1) The economic resources received or held by the separate organization are entirely or almost entirely for the benefit of the primary government or its component units or its constituents; 2) The primary government or its component units are entitled to or have the ability to otherwise access a majority of the economic resources received or held by the separate organization; 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or can otherwise access, are significant to the primary government.

As required by generally accepted accounting principles, these financial statements present the State of Oklahoma (the primary government) and its component units.

Discrete Component Units

Component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Separately issued independent audit reports may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. The audit reports may also be obtained from the respective component units at the addresses presented on the description page of the Fund Financial Statements section for the Major Component Units, and the description page in the Combining Financial Statement section of this report for the NonMajor Component Units.

The Component Units columns of the government-wide financial statements include the financial data of the following entities:

MAJOR COMPONENT UNITS

CompSource Oklahoma provides a source for workers' compensation insurance for all public and private employers within the state and operates similarly to an insurance company. CompSource is financed through employer premiums. The Board of Managers is comprised of nine members: The Director of State Finance, the Lieutenant Governor, the State Auditor (or their designees), the Director of Central Services, appointees by the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The State can impose its will on the Fund by its ability to remove board members at will. The Fund was audited by other independent auditors for the year ended December 31, 2003, and their report, dated February 20, 2004, has been previously issued under separate cover.

State and Education Employees Group Insurance Board provides group health, life, dental, disability and other benefits to active employees and retirees of the State and certain other eligible participants. The Board is financed through employer and employee premiums. The Board consists of eight members: the State Insurance Commissioner, the Director of State Finance, appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. A financial benefit/burden relationship exists between the State and the Board. The Board was audited by other independent auditors for the year ended December 31, 2003, and their report, dated June 10, 2004, has been previously issued under separate cover.

Oklahoma Student Loan Authority provides loan funds to qualified persons at participating educational institutions through the issuance of tax-exempt revenue bonds or other debt obligations. The Authority is composed of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2004, and their report, dated October 8, 2004, has been previously issued under separate cover.

Oklahoma Housing Finance Agency is authorized to issue revenue bonds and notes in order to provide funds to promote the development of residential housing and other economic development for the benefit of citizens. In addition, the Agency administers Section 8 Housing Assistance Payments Programs for the U.S. Department of Housing and Urban Development. The Board of Trustees consists of five members appointed by the Governor. The State can impose its will on the Agency by its ability to veto or modify the Agency's decisions. The Agency was audited by other independent auditors for the year ended September 30, 2003, and their report, dated January 6, 2004, has been previously issued under separate cover.

Oklahoma Transportation Authority constructs, maintains, repairs, and operates turnpike projects at locations authorized by the Legislature and approved by the State Department of Transportation. The Authority receives its revenues from turnpike tolls and a percentage of turnpike concession sales. The Authority issues revenue bonds to finance turnpike projects. The Authority consists of the Governor and six members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended December 31, 2003, and their report, dated March 12, 2004, has been previously issued under separate cover.

Grand River Dam Authority controls the waters of the Grand River system to develop and generate water power and electric energy, and to promote irrigation, conservation and development of natural resources. The Authority produces and distributes electrical power for sale to customers primarily located in northeastern Oklahoma. The customers consist of rural electric cooperatives, municipalities, industries and off-system sales. The Board of Directors consists of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year

ended December 31, 2003, and their report, dated March 29, 2004, has been previously issued under separate cover.

Oklahoma Municipal Power Authority provides a means for the municipal electric systems in the state to jointly plan, finance, acquire, and operate electrical power supply facilities. Facilities are financed through the issuance of revenue bonds, which are approved by the State's Bond Oversight Commission. Exclusion of the component unit would cause the State's financial statements to be misleading or incomplete. The Authority was audited by other independent auditors for the year ended December 31, 2003, and their report, dated February 20, 2004, has been previously issued under separate cover.

Higher Education Component Unit - This component unit is primarily comprised of the twenty-five colleges and universities that are members of the Oklahoma State System of Higher Education (the System). Twenty-two of these colleges and universities have one or more foundations that receive and hold economic resources for the benefit of their associated entity. These foundations are component units of their respective college or university and are included as part of the Higher Education Component Unit. Separately issued independent audit reports for each college, university, foundation, or other included entity may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105. Each institution in the System is governed by a Board of Regents. The Boards of Regents consist of five to ten members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on each institution by its ability to modify and approve their budget and its ability to approve fee changes. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Higher Education Component Unit are the following entities.

- **Oklahoma State Regents for Higher Education** serves as the coordinating board of control for the System. The Board of Regents for Higher Education consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the State Regents for Higher Education by its ability to modify and approve their budget.
- **Board of Regents of Oklahoma Colleges** has legislative powers and duties to manage, supervise, and control operation of the six regional state universities which are the University of Central Oklahoma, East Central University, Northeastern State University, Northwestern Oklahoma State University, Southeastern Oklahoma State University, and Southwestern Oklahoma State University. The Board consists of nine members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Board of Regents by its ability to modify and approve their budget.
- **Ardmore Higher Education Program** and **McCurtain County Higher Education Program** were established to make higher education available to those persons who might otherwise not be able to attend an institution of higher learning. Students enrolled in the Programs earn credit applicable toward academic degrees and certificates at participating institutions in the System. Each Program is administered by a Board of Trustees who are appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Programs by its ability to modify and approve their budget.
- **Rose State College Technical Area Education District, South Oklahoma City Area School District, and Tulsa Community College Area School District #18** were created to provide postsecondary vocational, technical, and adult education programs for persons within their defined geographical boundaries. The primary source of operating funds is ad valorem taxes assessed against real property located in their districts. The Districts are component units of Rose State College, Oklahoma City Community College, and Tulsa Community College, respectively.

NONMAJOR COMPONENT UNITS

Oklahoma Educational Television Authority (OETA) was created to "make educational television services available to all Oklahoma citizens on a coordinated statewide basis." The Board of Directors is comprised of thirteen members, seven of which are appointed by the Governor, with the advice and consent of the Senate. A financial benefit/burden relationship exists between the State and the Authority. OETA also has a non-profit foundation that was established to receive private donations and contributions for the benefit of OETA. This foundation qualifies as a component unit of OETA, and is combined with OETA.

The Authority was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 7, 2004, has been previously issued under separate cover.

Oklahoma Industrial Finance Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. These loans are secured by first or second mortgages on real estate and equipment. The Authority's loans are financed by issuance of general obligation bonds. The Board of Directors is comprised of seven members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2004, and their report, dated August 12, 2004, has been previously issued under separate cover.

Health Insurance High Risk Pool (HIHRP) provides health insurance to individuals who are unable to obtain coverage from independent insurers. HIHRP is financed by assessments levied on independent insurers. The Board consists of nine members appointed by the Insurance Commissioner. The State can impose its will on the Pool by its ability to modify the decisions of the Board. The Pool was audited by other independent auditors for the year ended June 30, 2004, and their report, dated October 19, 2004, has been previously issued under separate cover.

Multiple Injury Trust Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury. The State can impose its will on the Fund by its ability to remove management at will. The Fund was audited by other independent auditors for the period ended December 31, 2003, and their report, dated April 30, 2004, has been previously issued under separate cover.

University Hospitals Authority consists of The University Hospital and Children's Hospital of Oklahoma, and their related clinics and other services. The Authority is affiliated with the University of Oklahoma Health Sciences Center whose medical school residents and staff provide patient care, in-service education, and certain administrative duties for the benefit of the Authority. The Authority is governed by a six-member board consisting of appointees of the Governor, Speaker of the House of Representatives, and the President Pro Tempore of the Senate, and officials from the state Medicaid Program, the University of Oklahoma Health Sciences Center and the Authority. A financial benefit/burden relationship exists between the State and the Authority. The Authority was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 3, 2004, has been previously issued under separate cover.

Oklahoma Development Finance Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes. Private entities qualifying for financing are generally agricultural, civic, educational, health care, industrial, or manufacturing enterprises. Financing is also provided to governmental agencies and instrumentalities of the State. The Governing Board is comprised of seven members, of which five are appointed by the Governor, with the advice and consent of the Senate, plus the Director of the Department of Commerce and the State Treasurer. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 24, 2004, has been previously issued under separate cover.

Oklahoma Capital Investment Board assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy. The Board of Directors is comprised of five members appointed by the Governor, with the advice and consent of the Senate. The State can impose its will on the Authority by its ability to veto or modify the Authority's decisions. The Authority was audited by other independent auditors for the year ended June 30, 2004, and their report, dated August 13, 2004, has been previously issued under separate cover.

Oklahoma Environmental Finance Authority provides public and private entities financing for facilities necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes. The three Trustees of the Authority are appointed by the Governor. The State can impose its will on the Authority by its ability to remove trustees at will.

Fiduciary Component Units

The six Public Employee Retirement Systems (PERS) administer pension funds for the State and its political subdivisions. The six PERS are subject to state legislative and executive controls and the administrative expenses are subject to legislative budget controls. These component units, while meeting the definition of a component unit and are legally separate, are presented in the fund financial statements along with other primary government fiduciary funds of the State. They have been omitted from the government-wide financial statements.

Separately issued independent audit reports are available even though they are excluded from the government-wide financial statements. They may be obtained from the Office of State Finance, 2300 North Lincoln Blvd., Suite 122, Oklahoma City, Oklahoma 73105, or the respective fiduciary component units at the addresses presented on the description page of the combining financial statement section of this report.

Oklahoma Firefighters Pension and Retirement System provides retirement benefits for municipal firefighters. The System is administered by a board comprised of thirteen members: The President of the Professional Fire Fighters of Oklahoma, the President of the Oklahoma State Retired Fire Fighters Association, the State Insurance Commissioner, the Director of State Finance (or their designees), the five members of the Board of Trustees of the Oklahoma Firefighters Association, and appointees by the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2004, and their report, dated August 20, 2004, has been previously issued under separate cover.

Oklahoma Law Enforcement Retirement System provides retirement benefits for qualified law enforcement officers. The System is administered by a board comprised of thirteen members: The Assistant Commissioner of Public Safety, the Director of State Finance (or his designee), members of the Department of Public Safety, the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, and the Alcoholic Beverage Laws Enforcement Commission, and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 24, 2004, has been previously issued under separate cover.

Oklahoma Public Employees Retirement System administers the Oklahoma Public Employee Retirement Plan which provides retirement benefits for state, county and local employees. The board is comprised of thirteen members: The Chairman of the Corporation Commission, the Administrator of the Office of Personnel Management, the State Insurance Commissioner, the Director of State Finance (or their designees), a member of the State Tax Commission, and appointees by the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The System was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 10, 2004, has been previously issued under separate cover.

Uniform Retirement System for Justices and Judges is administered by the Oklahoma Public Employee Retirement System and provides retirement benefits for justices and judges. The System was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 10, 2004, has been previously issued under separate cover.

Oklahoma Police Pension and Retirement System provides retirement benefits for police officers employed by participating municipalities. The System is administered by a board comprised of thirteen members: Seven members elected from the seven Districts, the Director of State Finance, the State Insurance Commissioner (or their designees) and appointees by the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Municipal League. The System was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 2, 2004, has been previously issued under separate cover.

Teachers' Retirement System of Oklahoma provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions. The System is administered by a board consisting of the Superintendent of Public Instruction, the Director of the State Department of Vocational and

Technical Education, the Director of State Finance (or their designees), and appointees by the Governor, with the advice and consent of the Senate, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The System was audited by other independent auditors for the year ended June 30, 2004, and their report, dated September 10, 2004, has been previously issued under separate cover.

Related Organizations and Related Parties

Organizations for which a primary government is accountable because the State appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations. The Oklahoma Ordinance Works Authority (OOWA) is a related organization of the State. The State appoints a voting majority of the Trustees of OOWA but has no further accountability.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the state's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the state considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Principal revenue sources considered susceptible to accrual include federal grants, interest on investments, sales and income taxes, and lease payments receivable. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles (GAAP) since

they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2004, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds and Similar Component Units, and Component Units Financial Statements –

The financial statements of the proprietary funds, fiduciary funds and similar component units, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under Governmental Accounting Standards Board (GASB), Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The primary government's two enterprise funds have elected to not apply FASBs issued after the applicable date. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the state's enterprise funds are the moneys requisitioned for the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits and interest revenue charges for loans made to local entities by the Oklahoma Water Resources Board (OWRB). The OWRB reports federal grants as both operating and nonoperating, depending on the type of grants received.

D. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the fiduciary and component units follows.

1. Governmental Funds

General Fund - This fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Included are transactions for services such as education, general government, health services, legal and judiciary, museums, natural resources, public safety and defense, regulatory services, social services, and transportation. Debt service transactions and related cash balances are reported in the General Fund with a reservation of fund balance for debt service.

Commissioners of the Land Office Permanent Fund – This fund accounts for the land and cash granted to the State by the United States Congress for the use and benefit of educational systems in Oklahoma. This fund's assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

Department of Wildlife Conservation Permanent Fund – This fund accounts for moneys held in trust for the improvement and preservation of wildlife. The moneys have been accumulated from the sale of lifetime hunting and fishing licenses. This fund's assets are held by the State and only the income derived from the principal may be expended for designated operations. The principal must be preserved intact.

Tobacco Settlement Endowment Permanent Fund – This fund accounts for certain moneys transferred from the general fund, that were received in settlement of claims by the state against tobacco manufacturers. The earnings from these moneys are to be utilized for research, education, prevention and treatment of tobacco related diseases and certain other health programs. The principal must be preserved intact.

2. Proprietary Funds

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

Employment Security Commission Enterprise Fund - This fund accounts for the deposit of moneys requisitioned for the Oklahoma Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

Oklahoma Water Resources Board Enterprise Fund - This fund is comprised of Oklahoma Water Resources Board and the Department of Environmental Quality bond issues and revolving loan programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

3. Fiduciary Funds and Similar Component Units

The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

Pension Trust Funds - These Funds account for the transactions, assets, liabilities, and net assets of the Wildlife Conservation Retirement Plan in the primary government and the six Public Employee Retirement Systems (PERS) that meet the definition of a component unit of the state.

Investment Trust Fund – This Fund accounts for the transactions, assets, liabilities and fund equity of the external investment pool.

Agency Funds - These Funds account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals.

4. Component Units

These entities are legally separate from the State but are considered part of the reporting entity. These Funds meet the definition of both a component unit and that of an enterprise fund as previously described. The six Public Employee Retirement Systems (PERS) meet the definition of a component unit, but are presented with the other fiduciary funds of the state.

5. Financial Statement Reporting Periods

The accompanying financial statements of the State are presented as of June 30, 2004, and for the year then ended, except for the following funds and entities which were audited by other independent auditors.

CompSource Oklahoma	12-31-03
Multiple Injury Trust Fund	12-31-03
State and Education Employees Group Insurance Board	12-31-03
Oklahoma Transportation Authority	12-31-03
Grand River Dam Authority	12-31-03
Oklahoma Municipal Power Authority	12-31-03
Oklahoma Housing Finance Agency	09-30-03

E. Budgeting and Budgetary Control

The State's annual budget is prepared on the cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the accompanying financial statements, encumbrances are recorded as expenditures for budgetary purposes if expected to be presented for payment by November 15 following the end of the fiscal year and as reservations of fund balance for GAAP purposes. Since the budgetary basis differs from generally accepted accounting principles, budget and actual amounts in the accompanying Required Supplementary Information – Budgetary Schedules are presented on the budgetary basis. A reconciliation of revenues in excess of (less than) expenditures and other financing sources (uses) on a budgetary basis at June 30, 2004 to revenues in excess of (less than) expenditures and other financing sources (uses) presented in conformity with generally accepted accounting principles is set forth in the Notes to Required Supplementary Information.

The Governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on budget requests prepared by the various state agencies. The General Fund is the only Fund for which an annual budget is legally adopted. Budgeted expenditures can not exceed the amount available for appropriation as certified by the State Board of Equalization. The Legislature may modify the Governor's proposed budget as it deems necessary and legally enacts an annual state budget through the passage of appropriation bills. The Governor has the power to approve or veto each line item appropriation.

The legal level of budgetary control is maintained at the line item level (i.e., General Operations, Duties, etc.) identified in the appropriation acts. Budgets may be modified subject to statutory limits on transfers. The Director of State Finance can approve transfers of up to 25% between line items. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives) can approve transfers between line items of up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Current policy allows agencies to use unexpended moneys for one-time purchases or non-recurring expenditures in the next fiscal year. This policy provides an incentive for agency managers to distribute resources efficiently; however, it is subject to annual approval by the Legislature. Unexpended balances not carried forward to the new fiscal year by November 15 may: 1) lapse to unrestricted balances and be available for future appropriation, 2) lapse to restricted balances and be available for future appropriations restricted for specific purposes as defined by statute, or 3) be non-fiscal, and may be spent from one to 30 months from the date of appropriation.

If funding sources are not sufficient to cover appropriations, the Director of State Finance is required to reduce the budget by the amount of such deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. All fiscal year 2004 appropriated line items were within their authorized spending level.

F. Cash and Cash Equivalents

The State uses a pooled cash concept in maintaining its bank accounts. All cash is pooled for operating and investment purposes and each fund has an equity in the pooled amount. For reporting purposes, cash and related time deposits have been allocated to each fund based on its equity in the pooled amount. Interest earned on investments is allocated to the General Fund except for those investments made specifically for the proprietary fund type, fiduciary fund type, proprietary component units, and higher education component unit, for each of which investment revenue is allocated to the investing fund.

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer.

The Oklahoma Employment Security Commission Trust Fund is maintained to account for the collection of unemployment contributions from employers and the payment of unemployment benefits to eligible claimants. As required by Federal law, all resources not necessary for current benefit payments are placed on deposit with the U.S. Treasury. Interest from these resources is retained in the Fund.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash.

G. Investments

Investments, which may be restricted by law or legal instruments, are under control of either the State Treasurer or other administrative bodies as determined by law.

Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

H. Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily income taxes and sales taxes, that are collected within sixty days after year end. Lease payments receivable in the General Fund consists of capital lease payments due for equipment and railroad lines owned by the Department of Transportation. Collectibility of these lease payments is reasonably assured and no allowance for uncollectible amounts has been established.

Taxes receivable in enterprise funds represents unemployment taxes due at year end, net of an allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

I. Inter/Intrafund Transactions

Interfund Transactions - The State has two types of interfund transactions.

- Services rendered transactions are accounted for as revenues and expenditures or expenses in the funds involved.
- Operating appropriations/subsidies are accounted for as transfers in the funds involved.

Intrafund Transactions - Intrafund transfers, as a result of contracts among departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. The Required Supplementary Information – Budgetary Schedules includes these transactions. However, as a general rule recorded intrafund revenues and expenditures have been eliminated in the GAAP-basis government wide financial statements. A portion of motor fuel excise taxes collected on fuels consumed on the State's turnpikes is made available to the Oklahoma Transportation Authority (OTA) from the Oklahoma Tax Commission. These taxes are apportioned to OTA monthly to fund debt service, to the extent amounts are not otherwise available to OTA. If the motor fuel excise taxes apportioned to OTA are not needed in the month of apportionment, the taxes are transferred to the Department of Transportation (DOT). Before these monthly transfers were mandated, a balance owed to DOT had accumulated and at year end this balance is presented as a noncurrent Due to Other Funds on the financial statements of OTA.

J. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Generally, inventories are valued at cost and predominantly on either the first-in first-out or weighted average basis. Inventories of federal surplus properties are valued at a percentage of federal acquisition cost. General fund inventories are recorded as expenditures when consumed rather than when purchased by recording adjustments to the inventory account on the balance sheet. The general fund inventories on hand at year-end are reflected as a reservation of fund balance on the balance sheet, except for \$362,000 in food commodities which is recorded as inventory and deferred revenue. Upon distribution, the food commodities are recognized as revenues and expenditures of the general fund.

The value of the inventory of food commodities in the general fund is calculated by using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The value of the inventory of food stamps in the general fund is valued at coupon value.

Higher education component unit inventories are stated at the lower of cost or market, cost being determined on either the first-in first-out or average cost basis.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (which is normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the state as assets which have a cost of \$25,000 or more at the date of acquisition and have an expected useful life of five or more years. Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated fixed assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on appraised value, as of August 4, 1994, indexed to the date of acquisition. Infrastructure constructed prior to July 1, 2000 has been recorded at estimated historical cost. The estimated historical cost for years 1916-2000 was based on capital outlay expenditures reported by the Oklahoma Department of Transportation and the Federal Highway Administration, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend as asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units financial statements.

Capital assets of the primary government and the component units are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

Machinery and Equipment	3 - 20 years
Buildings and Other Improvements	7 - 60 years
Infrastructure	30 years

Collections and works of art are not included in capital assets of the primary government on the Statement of Net Assets. GASB Statement No. 34 does not require capitalization of collections if they meet all of the following criteria: held for public exhibition, education, or research in furtherance of service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State elected not to capitalize collections and works of art since they meet all of the above conditions.

L. Other Assets

Included in other assets (noncurrent for component units) are costs to be recovered from future revenues. Certain items included in the operating costs of **Grand River Dam Authority**, an unregulated enterprise, are recovered through rates set by the Board of Directors. Recognition of these costs, primarily depreciation on debt funded fixed assets, amortization of debt discount and expense, and amortization of losses on advance refunding of long-term debt, is deferred to the extent that such costs will be included in rates charged in future years. The **Oklahoma Municipal Power Authority** (OMPA) enters into power sales contracts with participating municipalities that provide for billings to those municipalities for output and services of the projects. Revenues from these contracts provide for payment of current operating and maintenance expenses (excluding depreciation and amortization), as well as payment of scheduled debt principal and interest, and deposits into certain funds as prescribed in the bond resolutions. For financial reporting purposes, OMPA currently recognizes depreciation of assets financed by bond principal and amortization expense. The difference between current operating expenses and the amounts currently billed under the terms of the power sales contracts are deferred to future periods in which these amounts will be recovered through revenues.

M. Deferred Revenue

Deferred revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at June 30, and collected within 60 days thereafter to pay obligations due at June 30. Deferred revenues also arise when resources are received by the State before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the State has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet, and revenue is recognized. Deferred revenues at the government-wide level arise only when the State receives resources before it has a legal claim to them. Also included in deferred revenue at both levels are the undistributed food stamp and food commodity inventories.

N. Compensated Absences

Employees earn annual vacation leave at the rate of 10 hours per month for the first 5 years of service, 12 hours per month for service of 5 to 10 years, 13.33 hours per month for service of 10 to 20 years, and 16.67 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued annual leave is payable upon termination, resignation, retirement, or death. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present the cost of accumulated vacation leave as a liability. The liability is valued based on current rate of pay. There is no liability for unpaid accumulated sick leave since the state does not have a policy to pay this amount when employees separate from service.

O. Risk Management

The Risk Management Division of the Department of Central Services is responsible for the acquisition and administration of all insurance purchased by the State, or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a state political subdivision. In no event shall self-insurance coverage exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

P. Federal Grants

In addition to monetary transactions, Federal grants also include non-monetary transactions for surplus inventory, food stamps, food, and other commodities. Surplus inventory is valued at a percentage of government acquisition cost. Food stamps are valued at coupon value. Commodities are valued at their federally reported value in the General Fund.

Q. Long-Term Obligations

Premiums, Discounts and Issuance Costs – In the government-wide financial statements long-term debt and other long-term obligations are presented in the columns for governmental and business-type activities. The same is presented in the proprietary fund financial statements. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Arbitrage Rebate Liability – The enterprise funds and component units account for any arbitrage rebate payable as a liability of the fund.

R. Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as inventories and prepayments are examples of the former. Reserves for encumbrances, contracts, and other specific purposes are examples of the latter. The governmental funds' designation of fund balance reflects tentative plans for future use of financial resources.

As further explained in item J above, the general fund inventory includes \$362,000 in food commodities which is also included in deferred revenue. Therefore, the reservation of fund balance for inventory/prepaid on the balance sheet is \$362,000 less than the total of inventory and prepaid items.

S. Deficit Fund Balance – Multiple Injury Trust Fund

The Multiple Injury Trust Fund (MITF), a component unit, continues to operate in a deficit situation. MITF had total net liabilities (negative net assets) of \$214,673,000 at December 31, 2003. Legislation was passed in May 2000 providing new funding for MITF through an assessment on gross premiums on workers compensation policies written by insurance carriers and an assessment on disability awards paid by self-insured employers, and further limits future awards against MITF to claimants that timely filed injury claims that occurred before June 1, 2000, against their employer. These claimants have no time limitation for filing against MITF. No new claims related to injuries subsequent to June 1, 2000, can be filed. Funding is to continue until the Board of Managers of the CompSource Oklahoma, pursuant to an independent actuarial audit, has certified that there are sufficient funds to satisfy all outstanding obligations of MITF.

Note 2. Deposits and Investments

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the Office of State Treasurer's policies, the amount of collateral securities to be pledged by financial institutions through the State Treasurer's Office are pledged at market value and must be at 110% of value to collateralize the amount on deposit, less any federal insurance coverage. This percentage may vary for political subdivisions according to their respective policies.

In accordance with statutes, the State Treasurer may purchase and invest in the following:

Obligations of the United States Government, its agencies and instrumentalities	Collateralized or insured certificates of deposit
Prime banker's acceptances	Negotiable certificates of deposit
Investment grade obligations of state and local governments	Prime commercial paper
Money market funds	Repurchase agreements

Deposits

As of June 30, 2004, the State and its discretely presented component units' bank balances of deposits are fully insured or collateralized with securities held by an agent of the State or its discretely presented component units in their respective names. The Pension Trust Funds, fiduciary component units of the State, held deposits of \$595,570,000 of which \$548,582,000 were insured or collateralized with securities held by the fiduciary component unit or by its agent in each funds respective name. This is considered category 1 credit risk. The Pension Trust Funds held \$46,988,000 as category 3 credit risk deposits which are uncollateralized or collateralized and the related securities are held by the pledging institution or by its agent not in the funds name. In addition to these deposits, the State has approximately \$398,672,000

on deposit with the U.S. Government. These funds represent unemployment insurance taxes collected from Oklahoma employers that are held by the U.S. Treasury. The book value of deposits does not materially differ from the bank balance.

Investments

The State's investments are categorized below per Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, to give an indication of the level of custodial risk assumed at year end. Category 1 includes investments that are insured, registered, or are held by the State or its agent in the name of the State. Category 2 includes uninsured and unregistered investments, which are held by the counterparties' trust departments or agents in the name of the State. Category 3 includes uninsured and unregistered investments, held by counterparties, or their trust departments or agents, but not in the name of the State.

Investments at June 30, 2004, by investment type, are listed below (expressed in thousands).

Primary Government	Risk Categories			Fair Value
	1	2	3	
U.S. Government Securities	\$ 1,269,203	\$ 6,590	\$ -	\$ 1,275,793
Repurchase Agreements	697,070	-	-	697,070
State Bond Issues	100,159	-	-	100,159
Debt Securities	426,433	5,544	-	431,977
Equity Securities	536,898	-	5,423	542,321
Investments Held Under Securities Loans for Non-Cash Collateral:				
U.S. Government Securities	210,961	-	-	210,961
	<u>\$ 3,240,724</u>	<u>\$ 12,134</u>	<u>\$ 5,423</u>	<u>3,258,281</u>
Investments Not Subject to Categorization:				
Guaranteed Investment Contracts				239,087
Mutual Funds				69,018
Money Market Mutual Funds				641,683
Investments Held Under Securities Loans for Cash Collateral:				
U.S. Government Securities				867,646
Total Investments				<u>\$ 5,075,715</u>

Fiduciary	Risk Categories			Fair Value
	1	2	3	
Equity Securities	\$ 6,646,200	\$ -	\$ -	\$ 6,646,200
U.S. Government Securities	1,962,299	-	-	1,962,299
Debt Securities	1,420,930	-	-	1,420,930
Short Term Securities	18,951	-	669	19,620
Investments Held Under Securities Loans for Non-Cash Collateral:				
U.S. Government Securities	-	-	426,467	426,467
Debt Securities	-	-	11,412	11,412
Equity Securities	-	-	72,807	72,807
	<u>\$ 10,048,380</u>	<u>\$ -</u>	<u>\$ 511,355</u>	<u>10,559,735</u>
Investments Not Subject to Categorization:				
Mutual Funds				2,129,053
Limited Partnerships and Other Investments				419,147
Real Estate				40,157
Short Term Securities				6,942
Investments Held Under Securities Loans for Cash Collateral:				
U.S. Government Securities				752,833
Debt Securities				297,012
Equity Securities				1,138,014
Securities Lending Collateral-Short Term Investment Pools				2,222,584
Total Investments				<u>\$ 17,565,477</u>

Component Units	Risk Categories			Fair Value
	1	2	3	
U.S. Government Securities	\$ 539,943	\$ 668,037	\$ 18,627	\$ 1,226,607
Debt Securities	245,061	603	2,638	248,302
Equity Securities	222,096	1,037	1,651	224,784
Repurchase Agreements	53,658	-	-	53,658
State Bond Issues	15,200	-	-	15,200
Commercial Paper	1,678	-	-	1,678
	<u>\$ 1,077,636</u>	<u>\$ 669,677</u>	<u>\$ 22,916</u>	<u>1,770,229</u>
Investments Not Subject to Categorization:				
Guaranteed Investment Contracts				200,495
Non-Negotiable Certificates of Deposit				84,925
Mutual Funds				527,801
Money Market Mutual Funds				56,500
Other Pooled Funds				779,516
Real Estate				6,516
Investments Held Under Securities Loans				
for Cash Collateral:				
U.S. Government Securities				217,168
Debt Securities				28,128
Equity Securities				4,105
Securities Lending Collateral-Short Term Investment Pools				257,146
Total Investments				<u>\$ 3,932,529</u>

The following table reconciles the details included within this footnote to the Combined Balance Sheet at June 30, 2004 (expressed in thousands).

	Primary Government	Fiduciary	Component Units
Investments per Statement of Net Assets:			
Investments	\$ 1,620,425	\$ 15,342,893	\$ 3,675,383
Securities Lending Investments	889,677	2,222,584	257,146
Total Investments	2,510,102	17,565,477	3,932,529
Non-negotiable CDs classified as investments	-	-	-
Pooled cash investments classified as cash equivalents	2,565,613	-	-
Total Investments	<u>\$ 5,075,715</u>	<u>\$ 17,565,477</u>	<u>\$ 3,932,529</u>

Securities Lending Transactions – Primary Government

State statute Title 62, Section 90 authorizes the State Treasurer's Office to participate in securities lending transactions. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. All securities held by Northern Trust Company, as trustee or custodian, may be lent in the securities lending program unless specifically excluded by the State Treasurer's Office.

During the fiscal year ended June 30, 2004, securities lending agents lent primarily U.S. Government securities. Cash and U.S. Government securities were provided as collateral for the securities lent. Generally, collateral must equal at least 100% of the fair value of the securities loaned. At June 30, 2004, the carrying amount and fair value of the securities on loan was approximately \$1,078,608,000. The underlying collateral for these securities had a market value of approximately \$1,100,638,000. Collateral of U.S. Government securities represented approximately \$210,961,000 of the total collateral. Because these securities cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in U.S. Government securities and is included as an asset on the balance sheet with an offsetting liability for the return of collateral.

At June 30, 2004, there was no credit risk exposure to borrowers because the amounts the Primary Government owes the borrowers exceed the amounts the borrowers owe the Primary Government. Contracts with securities lending agents

require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with cash collateral.

Securities Lending Transactions – Fiduciary Funds and Similar Component Units

The six Public Employees Retirement Systems (PERS) participate in securities lending transactions as provided by their respective investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year ended June 30, 2004, securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash, U.S. Government securities and letters of credit were provided as collateral for the securities lent. Generally, collateral must be provided in the amount of 102% of the fair value of the securities loaned. However, in certain instances collateral must be provided in the amount of 105% when the principal trading market for the loaned securities is outside the United States. At June 30, 2004, the carrying amount and fair value of securities on loan was approximately \$2,680,299,000. The underlying collateral for these securities had a market value of approximately \$2,745,353,000. Collateral of securities and letters of credit represented approximately \$197,500,000 of total collateral. Because these securities and letters of credit cannot be sold or pledged unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At June 30, 2004, there was no credit risk exposure to borrowers because the amounts the Fiduciary Funds owe the borrowers exceed the amounts the borrowers owe the Fiduciary Funds. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions, or recoveries from prior period losses, resulting from the default of a borrower or the lending agent. Investment policies do not require the maturities of investments made with cash collateral to match the maturities of securities lent; however, investment policies may establish minimum levels of liquidity to minimize the interest rate risk associated with not matching the maturity of the investments with the loans.

Securities Lending Transactions – Component Units

CompSource Oklahoma participates in securities lending transactions as provided by its investment policies. In a securities lending transaction, securities are loaned to approved brokers through a securities lending agreement with a simultaneous agreement to return collateral for the same security in the future. There are no restrictions regarding the amount of securities that may be lent.

During the fiscal year, securities lending agents lent primarily U.S. Government securities, equity securities and debt securities. Cash, U.S. Government securities and letters of credit were provided as collateral for the securities lent. Collateral must be provided in the amount of 102% of the fair value of the securities loaned. At fiscal year end, the carrying amount and market value of securities on loan was approximately \$268,028,000. The underlying collateral for these securities had a market value of approximately \$276,226,000. Collateral of securities represented approximately \$19,079,000 of total collateral. Because collateral securities and letters of credit cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented on the balance sheet. The remaining collateral represents cash collateral that is invested in short-term investments pools and is included as an asset on the balance sheet with an offsetting liability for the return of the collateral.

At fiscal year end, there was no credit risk exposure to borrowers because the amounts CompSource owes the borrowers exceed the amounts the borrowers owe CompSource. Contracts with securities lending agents require them to indemnify the lender if the borrower fails to return the securities or otherwise fails to pay the lender for income while the securities are on loan. There were no losses on security lending transactions or recoveries from prior period losses resulting from the default of a borrower or the lending agent. Because these transactions are terminable at will, their duration generally did not match the duration of the investments made with the cash collateral.

External Investment Pool – Primary Government

The State sponsors an investment pool that includes internal and external pool participants. The portion of the pool attributable to external pool participants is included in the primary government as an Investment Trust Fund and does not have separate financial reports. The pool is not registered with the SEC and is reviewed by an Executive Review Committee of the State's Cash Management and Investment Oversight Commission. Assets of the pool are invested pursuant to an overnight repurchase agreement and are collateralized by U.S. Government obligations held by an independent third party custodian. Fair value of the investments is determined on a daily basis. Par value of participants' investments is based on the amount invested and accrued interest. Due to the daily nature of the pool, the third party custodian guarantees the value of the participants' investments. The pool does not include any involuntary participants.

During the fiscal year the State changed the structure and operation of the Investment Trust Fund. These changes were primarily in the methods used to pool funds and distribute interest earnings. As a result, the investment pool structure is no longer applicable, effectively eliminating the Investment Trust Fund. The table below reflects the activity for the year and an ending pool balance of zero.

Condensed financial statement information for the internal and external portions of the investment pool follows (expressed in thousands).

	Internal Investment Pool	External Investment Pool	Total Pool
Assets	\$ -	\$ -	\$ -
Liabilities	-	-	-
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Additions			
Contributions	\$ 1,395,711	\$ 1,510	\$ 1,397,221
Investment Revenue	<u>1,038</u>	<u>10</u>	<u>1,048</u>
Total Additions	1,396,749	1,520	1,398,269
Deductions			
Distributions to Pool Participants	<u>2,008,448</u>	<u>6,247</u>	<u>2,014,695</u>
Net Increase	(611,699)	(4,727)	(616,426)
Net Assets, Beginning of Year	<u>611,699</u>	<u>4,727</u>	<u>616,426</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of June 30, 2004, including the applicable allowances for uncollectible accounts, are presented below (expressed in thousands).

	General Fund	Component Units	
	Accounts Receivable	Accounts Receivable	Notes Receivable
Gross Receivables	\$ 50,760	\$ 315,864	\$ 843,793
Less: Allowance for Uncollectibles	<u>(25,861)</u>	<u>(65,485)</u>	<u>(2,532)</u>
Net Receivables	<u>\$ 24,899</u>	<u>\$ 250,379</u>	<u>\$ 841,261</u>

Note 4. Interfund Accounts and Transfers

A. Due from Other Funds/Due to Other Funds

A summary of interfund obligations at June 30, 2004, is shown below (expressed in thousands).

	Due From Other Funds				Due To Other Funds					
	General Fund	Permanent Funds	Enterprise Funds	Due From Fiduciary Funds	Due From Component Units	General Fund	Wildlife Lifetime Licenses	Enterprise Funds	Due To Fiduciary Funds	Due To Component Units
Governmental Funds										
General Fund	\$ -		\$ 403	\$ 99	\$ 46,680	\$ -	73	\$ 21	\$ 803	\$ 17,814
Wildlife Permanent Fund	73		-	-	-	-	-	-	-	-
Tobacco Permanent Fund	-		-	-	-	-	-	-	-	15
Total Governmental Funds	<u>\$ 73</u>		<u>\$ 403</u>	<u>\$ 99</u>	<u>\$ 46,680</u>	<u>\$ 73</u>	<u>\$ 21</u>	<u>\$ 803</u>	<u>\$ 803</u>	<u>\$ 17,829</u>
Enterprise Funds										
Oklahoma Employment Security Commission	\$ -					\$ 11				
Oklahoma Water Resources Board	21					392				
	<u>\$ 21</u>					<u>\$ 403</u>				
Fiduciary Funds										
Pension Trust Funds:										
Firefighters Pension and Retirement System	\$ -				\$ -	\$ 6			\$ -	\$ -
Oklahoma Law Enforcement Retirement System	-				-	-			-	-
Oklahoma Public Employees Retirement System	-				-	61			-	-
Oklahoma Police Pension and Retirement System	-				-	7			-	-
Teachers' Retirement System of Oklahoma	-				-	1			-	9,256
Agency Funds:										
Taxes Held for Outside Entities	5				-	-			5	-
Funds Held in Escrow	-				-	23			-	-
Other	803				365	1			-	8,703
Total Fiduciary Funds	<u>\$ 808</u>				<u>\$ 365</u>	<u>\$ 99</u>			<u>\$ 5</u>	<u>\$ 17,959</u>
		Due From Primary Government			Due From Other Component Units	Due To Primary Government			Due To Fiduciary Funds	Due To Other Component Units
	General Fund	Permanent Funds		Fiduciary Funds	Component Units	General Fund			Fiduciary Funds	Component Units
Major Component Units:										
CompSource Oklahoma	\$ 7,819	\$ -		\$ -	\$ 155	\$ 71			\$ 1	\$ 180
State and Education Emp. Group Insurance Board	177	-		9,693	-	26			5	4
Oklahoma Housing Finance Agency	-	-		-	-	7			-	-
Oklahoma Transportation Authority	439	-		-	-	45,034			4	29
Grand River Dam Authority	44	-		-	452	18			353	54
Oklahoma Municipal Power Authority	-	-		-	-	-			-	452
Higher Education	9,009	15		-	2,643	795			-	152
Nonmajor Component Units:										
Multiple Injury Trust Fund	3,921	-		-	-	-			-	62
Oklahoma Educational Television Authority	-	-		-	-	-			2	-
University Hospitals Authority	841	-		-	68	22			-	2,462
Oklahoma Development Finance Authority	33	-		-	78	-			-	1
Total Component Units	<u>\$ 22,283</u>	<u>\$ 15</u>		<u>\$ 9,693</u>	<u>\$ 3,396</u>	<u>\$ 45,973</u>			<u>\$ 365</u>	<u>\$ 3,396</u>

A reconciliation of interfund receivables and interfund payables at June 30, 2004 follows. Timing differences occur between agencies with a June 30 year end and the component units with December 31 year ends.

Due From Other Funds		Due To Other Funds	
Wildlife Lifetime Licenses	\$ 73	General Fund	\$ 502
Fiduciary Funds	808	Wildlife Lifetime Licenses	73
Enterprise Funds	403	Enterprise Funds	21
Due From Enterprise Funds		Fiduciary Funds	803
General Fund	21	Due To Component Units	
Due From Fiduciary Funds	99	General Fund	17,829
Due From Component Units		Fiduciary Funds	17,959
General Fund	46,680	Other Fiduciary Funds	5
Fiduciary Funds	365	Due To Primary Government - General Fund	45,973
Due From Primary Government		Due To Fiduciary Funds	365
General Fund	22,283	Due To Other Component Units	<u>3,396</u>
Permanent Fund	15	Total Interfund Payables per Financial Statements	86,926
Due From Fiduciary Funds	9,693	Timing Differences, Fiscal Year Ending	
Due From Other Component Units	<u>3,396</u>	December 31, 2003: Component Units	<u>(3,090)</u>
Total Interfund Receivables		Total Interfund Payables	<u>\$ 83,836</u>
Per Financial Statements	\$ 83,836		

The general fund Due From Other Funds includes \$43,951,000 from Oklahoma Transportation Authority (OTA) (\$43,244,000 at December 31, 2003 on OTA) for a portion of motor fuel excise taxes collected on fuels consumed on turnpikes. The balance accumulates and is payable when certain OTA revenue bonds payable have been paid in full. Also, the general fund is due \$23,000 from the Funds Held in Escrow agency fund for legislative mandated transfer of earnings on certain funds. The Wildlife Lifetime Licenses permanent fund is due \$73,000 from the general fund for legislative mandated transfer of earnings on certain funds.

The component units Due From Primary Government includes \$2,287,000 for Higher Education and \$534,000 for University Hospitals Authority. These amounts are due from the general fund for draw downs of principal from Oklahoma Capital Improvement Authority capital lease agreements.

Remaining interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

B. Notes Payable and Capital Leases

The Multiple Injury Trust Fund (MITF) component unit reports a note payable to CompSource Oklahoma component unit of \$48,982,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

The Higher Education (HE) and University Hospitals Authority (UHA) component units have entered into capital lease agreements with the general fund's Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. The capital lease outstanding balances are \$37,648,000 for HE and \$1,251,000 for UHA.

C. Interfund Transfers

A summary of interfund transfers for the fiscal year ended June 30, 2004, follows (expressed in thousands).

<u>Transfers From (Out)</u>	<u>Transfers To (In)</u>	<u>For (Purpose)</u>	<u>Amount</u>
Governmental Funds:			
General Fund	Oklahoma Water Resources Board	Payment for administrative costs	\$ (38)
Permanent Funds:			
Commissioners of Land Office	General Fund	Transfer of expendable earnings	4,716
Department of Wildlife Conservation	General Fund	Transfer of expendable earnings	1,442
Proprietary Funds:			
Oklahoma Water Resources Board	General Fund	Restricted investment revenue	417
Total Transfers			<u>\$ 6,537</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows (expressed in thousands).

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 926,439	\$ 80,408	\$ (2,125)	\$ 1,004,722
Construction in progress	84,955	36,600	(12,038)	109,517
Total capital assets, not being depreciated	<u>1,011,394</u>	<u>117,008</u>	<u>(14,163)</u>	<u>1,114,239</u>
Capital assets, being depreciated:				
Buildings and improvements	817,487	11,735	(194)	829,028
Equipment	265,714	18,800	(18,479)	266,035
Infrastructure	<u>10,373,618</u>	<u>355,963</u>	<u>(18,219)</u>	<u>10,711,362</u>
Total capital assets, being depreciated	<u>11,456,819</u>	<u>386,498</u>	<u>(36,892)</u>	<u>11,806,425</u>
Less accumulated depreciation for:				
Buildings and improvements	(314,257)	(17,298)	183	(331,372)
Equipment	(165,556)	(17,733)	14,979	(168,310)
Infrastructure	<u>(5,219,027)</u>	<u>(278,015)</u>	<u>8,806</u>	<u>(5,488,236)</u>
Total accumulated depreciation	<u>(5,698,840)</u>	<u>(313,046)</u>	<u>23,968</u>	<u>(5,987,918)</u>
Total capital assets, being depreciated, net	<u>5,757,979</u>	<u>73,452</u>	<u>(12,924)</u>	<u>5,818,507</u>
Governmental activities capital assets, net	<u><u>\$ 6,769,373</u></u>	<u><u>\$ 190,460</u></u>	<u><u>\$ (27,087)</u></u>	<u><u>\$ 6,932,746</u></u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 403	\$ 154	\$ -	\$ 557
Total capital assets, being depreciated	<u>403</u>	<u>154</u>	<u>-</u>	<u>557</u>
Less accumulated depreciation for:				
Equipment	<u>(282)</u>	<u>(55)</u>	<u>-</u>	<u>(337)</u>
Total accumulated depreciation	<u>(282)</u>	<u>(55)</u>	<u>-</u>	<u>(337)</u>
Business-type activities capital assets, net	<u><u>\$ 121</u></u>	<u><u>\$ 99</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 220</u></u>

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Education	\$ 803
General government	7,837
Health services	3,240
Legal and judiciary	178
Museums	149
Natural resources	3,532
Public safety and defense	10,214
Regulatory services	235
Social services	5,428
Transportation	281,430
Total depreciation expense - governmental activities	<u><u>\$ 313,046</u></u>
Business-type activities:	
Natural resources	\$ 55
Total depreciation expense - business-type activities	<u><u>\$ 55</u></u>

Component Units

Capital asset activity for the year ended June 30, 2004, (December 31, 2003, or September 30, 2003, for those entities identified in Item D of Note 1) was as follows (expressed in thousands).

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,720	\$ 5,889	\$ (451)	\$ 270,158
Construction in progress	319,628	303,390	(180,196)	442,822
Total capital assets, not being depreciated	584,348	309,279	(180,647)	712,980
Capital assets, being depreciated:				
Buildings and improvements	3,533,463	264,341	(6,843)	3,790,961
Equipment	1,183,390	96,380	(183,908)	1,095,862
Infrastructure	1,711,963	17,642	(11)	1,729,594
Total capital assets, being depreciated	6,428,816	378,363	(190,762)	6,616,417
Less accumulated depreciation for:				
Buildings and improvements	(1,577,747)	(100,501)	4,933	(1,673,315)
Equipment	(786,931)	(85,778)	134,286	(738,423)
Infrastructure	(731,934)	(59,350)	-	(791,284)
Total accumulated depreciation	(3,096,612)	(245,629)	139,219	(3,203,022)
Total capital assets, being depreciated, net	3,332,204	132,734	(51,543)	3,413,395
Capital assets, net	\$ 3,916,552	\$ 442,013	\$ (232,190)	\$ 4,126,375

Note 6. Risk Management and Insurance

It is the policy of the State to cover the risk of losses to which it may be exposed through risk management activities. In general, the State is self-insured for health care claims (except for employee participation in certain health maintenance organizations), workers' compensation, second injury workers' compensation, tort liability (except for excess coverage for certain losses in excess of \$1,000,000), vehicle liability, and property losses (except for excess coverage for certain losses in excess of \$250,000, or \$750,000 for certain agencies). The property loss excess coverage is limited to a maximum loss of \$1,000,000,000.

Coverage for health care claims and workers' compensation is provided by two separate component units. The State and Education Employees' Group Insurance Board provides group health, life, dental and disability benefits to the State's employees and certain other eligible participants. CompSource Oklahoma (CSO) provides workers' compensation coverage for the State's employees (and private and local government employees).

CSO administers claim payments and provides excess-of-loss reinsurance to certain governmental entities that are self-insured. The premiums and fees received in connection with these transactions are included in sales revenue and were approximately \$6,666,000 in 2003. The liability for claims in excess of the self-insured entities' respective retention limits included in unpaid losses and loss adjustment expenses was approximately \$41,700,000 at December 31, 2003.

CSO limits the maximum net loss that can arise from risks by entering into reinsurance agreements to assign risk to other insurers on a catastrophe basis. Premiums paid for this reinsurance were approximately \$1,354,000 in 2003. No losses have been ceded under these agreements. Reinsurance receivables with a single reinsurer of \$562,000 at December 31, 2003, have been recorded in anticipation of estimated amounts to be recovered from reinsurers in future years for losses ceded pursuant to certain prior year reinsurance agreements. These agreements do not relieve CSO from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to CSO. Management believes that all reinsurers presently used are financially sound and will be able to meet their contractual obligations.

Coverage for second injury workers' compensation is provided by a discretely presented component unit. The Multiple Injury Trust Fund (MITF) was created to encourage the hiring of individuals with a pre-existing disability and to protect those employers from liability for the pre-existing disability. MITF records a liability for outstanding court awards only as those amounts are awarded by the Workers' Compensation Court for both permanent partial and permanent total disability awards. There is no provision for incurred but not reported claims or claims pending Court determination. Claims and Judgments which were due and owing at December 31, 2003, have been charged to operations for the year ended December 31, 2003. At year end, the MITF loss liability exceeded net assets. MITF was indebted to claimants for court

awarded judgments. Only those judgments currently payable in arrears bear interest. The rate, set by statute, is the treasury bill rate plus 4% to be updated annually. Legislation was enacted to terminate future awards against MITF for actions and to increase its funding sources.

The remaining risk management activities of the State are included in the State's General Fund. The Risk Management Division of the Department of Central Services is responsible for administering the State's tort liability, vehicle liability, property loss, and other types of risk coverage. Also, the Division is responsible for the acquisition and administration of all insurance policies purchased by the State and administration of any self-insurance plans and programs adopted for use by the State (and for certain organizations and bodies outside of state government).

Except for MITF, estimates relating to incurred but not reported claims, as well as other probable and estimable losses have been included in accrued liabilities for each fund. Because actual claims liabilities are impacted by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, and other economic and social factors.

The General Fund self-insurance loss liability for the Risk Management Division of the Department of Central Services represents an estimate of amounts to be paid from currently expendable available financial resources.

The following table presents the changes in claims liability balances (both current and noncurrent) during the current fiscal year ended June 30, 2004, (December 31, 2003, for CompSource Oklahoma, State and Education Employees Group Insurance Board, and Multiple Injury Trust Fund) and the prior fiscal year, (expressed in thousands).

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Current Fiscal Year						
General Fund* - Risk Management Division	\$ 16,719	\$ 12,190	\$ (4,108)	\$ 24,801	\$ -	\$ 24,801
Component Units:						
CompSource Oklahoma	\$ 558,600	\$ 244,341	\$ (159,641)	\$ 643,300	\$ 526,981	\$ 116,319
State and Education Employees Group Insurance Board	73,155	538,511	(526,590)	85,076	5,035	80,041
Multiple Injury Trust Fund	180,190	9,155	(21,034)	168,311	151,920	16,391
Total Component Units**	\$ 811,945	\$ 792,007	\$ (707,265)	\$ 896,687	\$ 683,936	\$ 212,751

* As discussed in the Litigation and Contingencies note, general fund claims and judgments includes \$7,835 accrued for the payment of litigation losses.

** The Higher Education Component Unit's claims and judgments (\$3,090 – current and \$2,131 – noncurrent) are for accrued liabilities not related to risk management.

	Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Ending Balance	Noncurrent Liability	Current Liability
Prior Fiscal Year						
General Fund - Risk Management Division	\$ 19,745	\$ 245	\$ (3,271)	\$ 16,719	\$ -	\$ 16,719
Component Units:						
CompSource Oklahoma	\$ 502,285	\$ 195,437	\$ (139,122)	\$ 558,600	\$ 458,707	\$ 99,893
State and Education Employees Group Insurance Board	69,564	454,888	(451,297)	73,155	4,931	68,224
Multiple Injury Trust Fund	184,620	13,828	(18,258)	180,190	163,473	16,717
Total Proprietary Units	\$ 756,469	\$ 664,153	\$ (608,677)	\$ 811,945	\$ 627,111	\$ 184,834

Public Entity Risk Pool - State and Education Employees' Group Insurance Board

The State operates the Oklahoma State and Education Employees' Group Insurance Board (Plan), a Public Entity Risk Pool.

A. Description of Plan

The Plan provides group health, dental, life, and disability benefits to active state employees and local government employees, as well as varying coverages for active education employees and certain participants of the state's retirement systems, survivors, and persons covered by COBRA. Disability coverage is available only to active state employees and local government employees. The Plan is self-insured and provides participants with the option of electing coverage from certain health maintenance organizations (HMOs). Premium rates for the various groups are separately established.

The coverages are funded by monthly premiums paid by individuals, the State, local governments, educational employers, and retirement systems. A participant may extend coverage to dependents for an additional monthly premium based on the coverage requested. Of the 214,000 primary participants and dependents, approximately 20,000 primary participants and 11,000 dependents were covered by HMOs. These counts relate to health coverage only.

All state agencies are required to participate in the Plan. Eligible local governments may elect to participate in the Plan (299 local governments actually participate). Any education entity or local government which elects to withdraw from the Plan may do so with 30 days written notice, and must withdraw both its active and inactive participants.

A summary of available coverages and eligible groups, along with the number of health care participants follows.

	State Employee	Local Government Employee	Education Employee	Teachers' Retirement System	Other Retirement Systems	Survivors	COBRA
Health	X	X	X	X	X	X	X
Dental	X	X	X	X	X	X	X
Life	X	X	X	X	X		
Disability	X	X					
Medicare Supplement				X	X	X	X
Health Care Participants:							
Primary	25,000	8,000	51,000	----- 38,000 -----			
Dependents	----- 61,000 -----						

B. Unpaid Claims Liabilities

The Plan establishes policy and contract claim reserves based on the estimated ultimate cost of settling claims that have been reported but not settled, and of claims that have been incurred but not yet reported. Disability reserves are also established based on the estimated ultimate cost of settling claims of participants currently receiving benefits and for disability claims incurred but not yet reported to the Plan.

The reserves are determined using the Plan's historical benefit payment experience. The length of time for which costs must be estimated depends on the coverages involved. Although such estimates are the Plan's best estimates of the incurred claims to be paid, due to the complex nature of the factors involved in the calculation, the actual results may be more or less than the estimate. The claim liabilities are recomputed on a periodic basis using actuarial and statistical techniques which consider the effects of general economic conditions, such as inflation, and other factors of past experience, such as changes in participant counts. Adjustments to claim liabilities are recorded in the periods in which they are made. Premium deficiency reserves are required to be recorded when the anticipated costs of settling claims for the following fiscal year are in excess of the anticipated premium receipts for the following year. Anticipated investment income is considered in determining whether a premium deficiency exists.

C. Reconciliation of Claims Liabilities

The schedule below presents the changes in policy and contract claim reserves and disability reserves for the past two reporting periods for the three types of coverages: health and dental, life, and disability (expressed in thousands).

	Health and Dental		Life		Disability	
	Twelve-month Period Ending 12/31/2003	Six-month Period Ending 12/31/2002	Twelve-month Period Ending 12/31/2003	Six-month Period Ending 12/31/2002	Twelve-month Period Ending 12/31/2003	Six-month Period Ending 12/31/2002
Reserves at beginning of period	\$ 63,500	\$ 59,106	\$ 2,524	\$ 2,047	\$ 7,131	\$ 6,343
Incurred claims:						
Provision for insured events of current period	527,572	443,546	14,366	13,887	3,303	3,045
Changes in provisions for insured events of prior periods	(5,658)	(2,752)	(324)	(672)	(748)	(98)
	<u>521,914</u>	<u>440,794</u>	<u>14,042</u>	<u>13,215</u>	<u>2,555</u>	<u>2,947</u>
Payments:						
Claims attributable to insured events of current period	453,581	380,413	11,383	11,447	467	437
Claims attributable to insured events of prior periods	57,274	55,987	2,155	1,291	1,730	1,722
	<u>510,855</u>	<u>436,400</u>	<u>13,538</u>	<u>12,738</u>	<u>2,197</u>	<u>2,159</u>
Reserves at end of period	<u>\$ 74,559</u>	<u>\$ 63,500</u>	<u>\$ 3,028</u>	<u>\$ 2,524</u>	<u>\$ 7,489</u>	<u>\$ 7,131</u>

D. Revenue and Claims Development Information

The separately issued audited financial statements for the Plan include Required Supplementary Information regarding revenue and claims development.

Note 7. Operating Lease Commitments

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for equipment operating leases as of June 30, 2004 are as follows (expressed in thousands).

	General Fund	Fiduciary Funds	Component Units
2005	\$ 1,119	\$ 199	\$ 5,311
2006	1,029	194	4,446
2007	755	194	4,105
2008	747	7	3,850
2009	2	-	3,597
2010-2014	-	-	7,201
2015-2019	-	-	1,163
2020-2024	-	-	-
Total Future Minimum Lease Payments	<u>\$ 3,652</u>	<u>\$ 594</u>	<u>\$ 29,673</u>
Operating lease commitments for building rental for year ended June 30, 2005	\$ 18,340	\$ 353	\$ 2,416
Rent expenditures/expenses for operating leases for year ended June 30, 2004	\$ 19,366	\$ 404	\$ 19,887

Note 8. Lessor Agreements

Primary Government

Direct Financing Leases

The **Department of Transportation** maintains leases classified as direct financing leases. The State leases heavy equipment and machinery to counties within the state. The lease terms are determined by the depreciation schedules published by the American Association of State Highway Transportation Officials. All new county equipment leases were charged an interest amount equivalent to 3% of the equipment cost. Title to this equipment passes to the counties at the end of the lease term. The Department of Transportation also leases railroad lines within the state to the AT&L Railroad Company and the Oklahoma, Kansas, and Texas Railroad Company with lease terms ending in 2014 and 2011, respectively. No interest or executory costs are charged, and the leases include bargain purchase options. The

unguaranteed residual values of the machinery, equipment, and railroad lines are not estimated by the State. Contingent rentals are not a part of any lease and uncollectible amounts are not expected. The total minimum lease payments to be received by the Department of Transportation in future years is approximately \$30,764,000, which is also the net investment in direct financing leases at June 30, 2004. The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands).

	2005	2006	2007	2008	2009
Primary Government	\$ 6,105	\$ 5,392	\$ 4,757	\$ 4,134	\$ 3,291

The Oklahoma Capital Improvement Authority (OCIA) has capital lease agreements with component units for the lease of various facilities, equipment and improvements. At June 30, 2004, the total minimum lease payments to be received by OCIA from component units is \$38,899,000.

Operating Leases

The State has operating leases maintained by various state agencies consisting primarily of state owned building space leased to non-state entities. The primary government's total operating leases receivable recognized in the current fiscal year is approximately \$18,000. Minimum future rentals receivable from these operating leases is presented in the following schedule (expressed in thousands).

2005	2006	2007	2008	2009	Total
\$ 302	\$ 111	\$ 60	\$ 33	\$ 24	\$ 530

In addition, the leasing operations of the Commissioners of the Land Office consist of leasing approximately 745,000 acres of land principally for agricultural purposes. The lease terms are principally for five-year periods with one-fifth of the leases expiring each year. The lease year is on a calendar year basis with rents prepaid one year in advance. The rental amount is determined based on the maximum amount bid by the lessee. The following schedule presents minimum future rentals receivable from the leasing of these lands (expressed in thousands).

2005	2006	2007	2008	2009	Total
\$ 8,314	\$ 7,558	\$ 6,057	\$ 4,462	\$ 2,631	\$ 29,022

Component Units

Direct Financing Leases

The **Oklahoma Environmental Finance Authority** leases facilities necessary for the abatement, control and reduction of pollution to industrial and commercial entities. These leases are accounted for as direct financing leases. The following schedule lists the net investment in direct financing leases as of June 30, 2004 (expressed in thousands).

Total minimum lease payments to be received	
- Gross investment in financing leases	\$ 1,265,500
Less: Cost of investments and unearned income	(262,755)
Net investment in direct financing leases	<u>\$ 1,002,745</u>

The following schedule represents minimum lease payments receivable for direct financing leases for each of the five succeeding fiscal years (expressed in thousands).

Component Units:	2005	2006	2007	2008	2009
Environmental Finance Authority	<u>\$ 59</u>	<u>\$ 59</u>	<u>\$ 59</u>	<u>\$ 59</u>	<u>\$ 59</u>

Operating Leases

The University Hospitals Authority entered into a lease effective November 1, 2001, whereby the Authority will receive rental income for leased office space for a term of five years. The schedule below presents the minimum future rentals receivable.

The Oklahoma Transportation Authority has various noncancelable contracts with concessionaires to provide patron services on the State's turnpike system. The contracts are generally for five year terms, with two five-year renewal options. The Authority receives concession revenue that includes minimum rentals plus contingent rentals based on

sales volume. The Authority also leases antenna space under noncancelable contracts with a 20 year term. The following schedule presents minimum future rentals receivable from these contracts (expressed in thousands).

	2005	2006	2007	2008	2009
Oklahoma Turnpike Authority	\$ 360	\$ 392	\$ 131	\$ -	\$ -
University Hospitals Authority	194	162	157	113	73
Total	<u>\$ 554</u>	<u>\$ 554</u>	<u>\$ 288</u>	<u>\$ 113</u>	<u>\$ 73</u>

Note 9. Long-Term Obligations As Related to Governmental Activities

Long-term obligations at June 30, 2004, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from Tax Revenue:								
Institutional Bldg 1992A	1993	4.25-5.20%	2019	\$ 205,260	\$ -	\$ 205,260	\$ -	\$ -
Institutional Bldg 1992B	1994	4.15-6.60%	2014	64,715	-	64,715	-	-
Oklahoma Bldg Refunding 2003A	2003	2.00-5.00%	2019	254,135	-	-	254,135	-
Oklahoma Bldg Refunding 2003B	2003	1.65%	2006	7,075	-	-	7,075	-
Total				<u>531,185</u>	<u>-</u>	<u>269,975</u>	<u>261,210</u>	<u>-</u>
Revenue Bonds Payable from Lease Rentals:								
OCIA Series A of 1986	1987	6.50%	2007	1,551	-	387	1,164	413
OCIA Series B of 1994	1995	4.85-7.15%	2010	10,180	-	1,185	8,995	1,265
OCIA Series B of 1995	1996	3.60-5.50%	2016	22,195	-	22,195	-	-
OCIA Series B of 1996	1997	3.75-5.50%	2022	2,865	-	95	2,770	95
OCIA Series 1998, Corrections	1998	3.90-5.00%	2018	16,470	-	785	15,685	820
OCIA Series 1998, Highway	1998	3.90-5.00%	2008	108,830	-	-	108,830	-
OCIA Series 1999A	2000	4.10-5.50%	2020	130,600	-	7,535	123,065	7,885
OCIA Series 1999B	2000	6.20-7.63%	2020	3,555	-	905	2,650	970
OCIA Series 1999C	2000	4.10-5.50%	2020	4,575	-	285	4,290	295
OCIA Series 1999D	2000	3.85-5.70%	2025	12,835	-	455	12,380	475
OCIA Series 2000, Highway	2000	4.30-5.00%	2012	110,645	-	-	110,645	-
OCIA Series 2002A	2003	2.00-4.65%	2023	12,930	-	480	12,450	490
OCIA 2003A, Highway	2003	2.00-5.00%	2015	65,565	-	-	65,565	-
OCIA 2003B, Highway	2003	2.00-5.00%	2015	26,605	-	-	26,605	-
OCIA 2003C, State Facilities	2004	2.00-4.75%	2025	-	18,000	-	18,000	-
OCIA 2003D, State Facilities	2004	2.00-4.75%	2024	-	3,500	-	3,500	130
OCIA 2003E, State Facilities	2004	2.00-4.00%	2016	-	22,070	-	22,070	2,030
Corrections 2003A, Central OK (ODFA)	2003	2.25-4.65%	2023	36,480	-	1,720	34,760	1,375
Corrections 2004, Central OK (ODFA)	2004	3.00-4.45%	2024	-	4,065	-	4,065	140
Tourism 2002	2002	2.10-4.25%	2012	3,135	-	295	2,840	315
Boll Weevil Series 2000A	2001	8.20-9.10%	2004	2,445	-	2,445	-	-
DHS-Pittsburg Co. 1998 (ODFA)	1998	4.25-5.30%	2012	1,145	-	80	1,065	85
DHS-Canad/Linc Co. 2000 (ODFA)	2000	4.30-5.60%	2015	3,170	-	200	2,970	205
DHS-8 County (ODFA)	2002	2.00-5.25%	2017	14,575	-	815	13,760	835
DHS-Logan/Okla Co. 2004A (ODFA)	2004	1.00-3.85%	2019	-	8,615	-	8,615	485
Veterans Series 2000 (ODFA)	2000	4.20-5.63%	2015	9,305	-	585	8,720	610
Law Enforcement Education/Train (ODFA)	2002	3.00-5.50%	2027	25,810	-	650	25,160	670
Total				<u>625,466</u>	<u>56,250</u>	<u>41,097</u>	<u>640,619</u>	<u>19,588</u>
Notes Payable from Tax Revenue:								
Koch Financial	2003	3.79%	2007	16,348	-	4,133	12,215	4,133
Koch Financial	2003	3.90%	2007	5,725	-	1,432	4,293	1,432
Hitachi Credit America	2003	3.67%	2007	2,117	-	537	1,580	537
Tourism 2004, Clean Water	2004	2.13%	2024	-	7,195	110	7,085	280
ODOT 2004A, Grant Anticipation	2004	1.00-4.89%	2018	-	47,575	-	47,575	3,025
Total				<u>24,190</u>	<u>54,770</u>	<u>6,212</u>	<u>72,748</u>	<u>9,407</u>
Note Payable - Sardis Reservoir				35,389	-	295	35,094	307
Certificates of Participation				1,430	-	871	559	503
Capital Leases				5,894	1,822	2,380	5,336	1,429
Compensated Absences				130,938	78,332	78,310	130,960	78,310
Pension Obligation				1,720	611	-	2,331	-
Total Long-Term Obligations				<u>\$ 1,356,212</u>	<u>\$ 191,785</u>	<u>\$ 399,140</u>	<u>\$ 1,148,857</u>	<u>\$ 109,544</u>

Reduction of debt includes deletions of Capital Leases (\$448) and decreases in Compensated Absences which are not included as expenditures in the operating statement. Reduction of debt also includes an advanced refunding of \$22,195 as an other financing use to defease the OCIA Series B of 1995 bonds, and \$269,975 as an other financing use to currently refund the Institutional Building General Obligation Bonds Series 1992A and 1992B.

A. General Obligation Bonds

General obligation bonds, administered by the State Treasurer, are authorized and issued primarily to provide resources for State-owned capital improvements, including office buildings for state agencies. The State has pledged 100% of cigarette taxes collected under these bond issues. General obligation bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the bonds.

An April 30, 2003 resolution of the Oklahoma Building Bonds Commission authorized the issuance of \$254,135,000 of 2003 Series A Oklahoma Building Refunding Bonds and \$7,075,000 of 2003 Taxable Series B Oklahoma Building Refunding Bonds. These bonds were issued on June 4, 2003. The Series A bonds were issued with a \$28,356,000 premium while the Series B bonds were issued at par. The 2003A bonds were issued to currently refund the outstanding Oklahoma Building Bonds of 1992 Series A and Series B. The refunded bonds were redeemed on July 15, 2003.

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2004, which have scheduled debt service amounts (expressed in thousands).

	2005	2006	2007	2008	2009	2010-2014	2015-2019	2020-2024	2025-2029	Total
General Obligation Bonds:										
Institutional Bldg 1992A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institutional Bldg 1992B	-	-	-	-	-	-	-	-	-	-
Oklahoma Bldg Refunding 2003A	11,416	17,985	25,007	25,007	25,107	125,378	131,744	-	-	361,644
Oklahoma Bldg Refunding 2003B	117	7,133	-	-	-	-	-	-	-	7,250
	11,533	25,118	25,007	25,007	25,107	125,378	131,744	-	-	368,894
Less: Interest	11,533	11,408	11,017	10,452	9,907	38,648	14,719	-	-	107,684
Total Principal	-	13,710	13,990	14,555	15,200	86,730	117,025	-	-	261,210
Revenue Bonds:										
OCIA Series A of 1986	477	476	318	-	-	-	-	-	-	1,271
OCIA Series B of 1994	1,846	1,842	1,838	1,830	1,829	1,823	-	-	-	11,008
OCIA Series B of 1995	-	-	-	-	-	-	-	-	-	-
OCIA Series B of 1996	241	241	242	241	240	1,210	1,211	716	-	4,342
OCIA Series 1998, Corrections	1,578	1,578	1,575	1,575	1,577	7,884	6,311	-	-	22,078
OCIA Series 1998, Highway	5,252	39,412	39,408	39,412	-	-	-	-	-	123,484
OCIA Series 1999A	14,046	11,603	11,596	11,589	11,563	55,004	54,012	10,758	-	180,171
OCIA Series 1999B	1,128	346	343	345	340	545	253	52	-	3,352
OCIA Series 1999C	512	391	392	387	388	1,944	1,927	385	-	6,326
OCIA Series 1999D	1,114	1,113	1,114	1,108	1,107	5,527	5,491	2,268	293	19,135
OCIA Series 2000, Highway	5,475	18,907	18,904	18,905	18,906	56,712	-	-	-	137,809
OCIA Series 2002A	956	956	956	952	952	4,740	4,725	3,753	-	17,990
OCIA 2003A, Highway	2,897	8,261	8,259	8,260	8,259	41,304	8,258	-	-	85,498
OCIA 2003B, Highway	1,039	2,764	3,271	3,271	3,270	15,676	3,239	-	-	32,530
OCIA 2003C, State Facilities	682	1,330	1,327	1,328	1,329	6,653	6,637	6,612	1,321	27,219
OCIA 2003D, State Facilities	260	257	259	256	257	1,289	1,277	1,271	-	5,126
OCIA 2003E, State Facilities	2,668	2,653	2,661	2,663	2,661	9,833	3,011	-	-	26,150
Corrections 2003A, Central OK (ODFA)	2,694	2,693	2,692	2,689	2,692	13,465	13,457	10,086	-	50,468
Corrections 2004, Central OK (ODFA)	313	309	310	309	309	1,542	1,539	1,229	-	5,860
Tourism 2002	414	415	415	413	415	1,234	-	-	-	3,306
Boll Weevil Series 2000A	-	-	-	-	-	-	-	-	-	-
DHS-Pittsburg Co. 1998 (ODFA)	137	133	134	134	135	688	-	-	-	1,361
DHS-Canad/Linc Co. 2000 (ODFA)	362	367	366	364	367	1,821	365	-	-	4,012
DHS-8 County 2002 (ODFA)	1,429	1,429	1,431	1,430	1,431	7,157	4,296	-	-	18,603
DHS-Logan/Okla Co. 2004A (ODFA)	734	735	734	734	736	3,668	3,671	-	-	11,012
Veterans Series 2000 (ODFA)	1,070	1,071	1,074	1,070	1,069	5,353	1,072	-	-	11,779
Law Enforcement Education/Training (ODFA)	1,856	1,855	1,854	1,855	1,853	9,276	9,271	9,271	5,568	42,659
	49,180	101,137	101,473	101,120	61,685	254,348	130,023	46,401	7,182	852,549
Less: Interest	29,594	27,734	24,842	21,393	18,192	59,619	24,631	5,364	561	211,930
Total Principal	19,586	73,403	76,631	79,727	43,493	194,729	105,392	41,037	6,621	640,619
Notes Payable:										
Koch Financial	4,698	4,698	3,524	-	-	-	-	-	-	12,920
Koch Financial	1,654	1,654	1,240	-	-	-	-	-	-	4,548
Hitachi Credit America	605	606	454	-	-	-	-	-	-	1,665
Tourism 2004, Clean Water	432	435	439	438	441	2,224	2,255	2,078	-	8,742
ODOT 2004A, Grant Anticipation	4,660	4,296	4,296	4,302	4,297	21,332	21,217	-	-	64,400
	12,049	11,689	9,953	4,740	4,738	23,556	23,472	2,078	-	92,275
Less: Interest	2,383	2,218	1,922	1,770	1,624	6,850	2,652	108	-	19,527
Total Principal	9,666	9,471	8,031	2,970	3,114	16,706	20,820	1,970	-	72,748
Certificates of Participation	521	58	-	-	-	-	-	-	-	579
Less: Interest	18	2	-	-	-	-	-	-	-	20
Total Principal	503	56	-	-	-	-	-	-	-	559
Capital Leases	2,097	1,598	1,344	1,199	946	374	-	-	-	7,558
Less: Interest	295	208	145	89	35	13	-	-	-	785
Less: Executory Cost	374	368	296	239	160	-	-	-	-	1,437
Total Principal	1,428	1,022	903	871	751	361	-	-	-	5,336
Total	\$ 31,183	\$ 97,662	\$ 99,555	\$ 98,123	\$ 62,558	\$ 298,526	\$ 243,237	\$ 43,007	\$ 6,621	\$ 980,472
Long-Term Debt without scheduled debt service:										
Note Payable- Sardis Reservoir										35,094
Compensated Absences										130,960
Pension Obligation										2,331
Total Long-Term Obligations										\$ 1,148,857

B. Revenue Bonds

The **Oklahoma Capitol Improvement Authority** (OCIA) has thirteen outstanding series of building bonds to construct and equip state office buildings and prisons. Three of these series were issued during the current fiscal year. Principal and interest payments on these bond issues are paid from rents collected from the various state and federal agencies that occupy the buildings constructed with the bond proceeds. OCIA also issued four series of revenue bonds to construct and improve the highway system. Principal and interest payments on these bonds are paid from rents collected from the Oklahoma Department of Transportation (DOT).

On October 13, 2003, OCIA issued \$18,000,000 of Series 2003C State Facilities revenue bonds, \$3,500,000 of Series 2003D State Facilities revenue bonds, and \$22,070,000 of Series 2003E Facility Refunding revenue bonds for an advanced refunding (\$22,195,000) of the Series B of 1995 bonds. The bond proceeds, net of related issuance costs, were placed in escrow accounts. These escrow monies along with future earnings on those monies will be used for future debt service payments to bond holders. As a result, the refunded bonds are considered to be defeased. Accordingly, the bond liability and the escrow assets are not presented in the governmental activities column of the statement of net assets. The net carrying amount of the new Facility Refunding revenue bonds is less than the refunded debt by \$125,000. This advanced refunding decreased future debt service payments by \$2,599,000 and resulted in an estimated economic gain of \$2,661,000. At fiscal year end, \$45,870,000 in defeased bonds were outstanding.

The **Oklahoma Tourism and Recreation Department** (OTRD) issued revenue bonds for Parks. Revenue generated by fees from the Parks Division is used to meet the bond obligations.

The **Boll Weevil Eradication Organization** issued revenue bonds for the purpose of eradicating boll weevils in the state. Principal and interest payments on these bond issues were paid from assessments charged to cotton growers. These bonds were paid off during the fiscal year ending June 30, 2004.

The **Oklahoma Development Finance Authority** (ODFA) has issued four series of lease revenue bonds to provide lease financing for the Department of Human Services. ODFA has also issued lease revenue bonds to provide lease financing for the Department of Veterans Affairs, the Council on Law Enforcement Education/Training, and two series for the Oklahoma Department of Corrections. The actual lease payments are made to a trustee who is responsible for payments to individual investors.

C. Notes Payable

The **Oklahoma Department of Transportation** has issued Grant Anticipation Notes, Series 2004A in the amount of \$47,575,000 for the purpose of financing certain qualified federal aid transportation projects in the State of Oklahoma.

The **Oklahoma Water Resources Board** has a contractual agreement to repay the United States, through the Army Corps of Engineers, for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments over a period of 50 years are to be made for the reservoir construction, operation and maintenance allocated to the present use water supply storage. The water storage facility was completed in 1982 and annual payments began in 1983. There are no scheduled future debt service requirements beyond one year. For further discussion of this note payable, refer to the Litigation and Contingencies note.

D. Certificates of Participation

The State has lease purchase agreements funded through certificates of participation. These leases are for the purchase of equipment and facilities. Third-party leasing companies assigned their interest in the lease to underwriters, which issued certificates for the funding of these obligations. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. While the State is liable for lease payments to the underwriters, the State is not liable for payments to holders of the certificates.

Leased equipment financed by certificates of participation in capital assets at June 30, 2004, includes the following (expressed in thousands).

	Equipment
Cost	\$ 7,200
Less: Accumulated depreciation	(2,403)
Total	<u>\$ 4,797</u>

E. Capital Leases

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$25,000 or more.

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2004, include the following (expressed in thousands).

	Land	Buildings	Equipment	Total
Cost	\$ 59	\$ 531	\$ 9,917	\$ 10,507
Less: Accumulated depreciation	-	(215)	(7,415)	(7,630)
Total	<u>\$ 59</u>	<u>\$ 316</u>	<u>\$ 2,502</u>	<u>\$ 2,877</u>

F. Other Liabilities

Compensated absences are liquidated by the general fund and do not have scheduled future debt service requirements beyond one year. The pension obligation is for the Oklahoma Department of Wildlife Conservation defined benefit pension plan. The plan is a single-employer plan that provides retirement, disability, and death benefits to the plan members and their beneficiaries. The pension obligation does not have scheduled future debt service requirements. This will be liquidated by the general fund.

G. Authorized Unissued Bonds

The Oklahoma Capital Improvement Authority has been authorized to issue bonds in the amounts of \$5,000,000, \$4,000,000, \$6,000,000 and \$30,000,000 for construction and acquisition of property. The Oklahoma Department of Mental Health/Substance Abuse Services has been authorized to issue bonds in the amount of \$18,900,000 to construct, acquire and/or renovate property for the purposes of providing treatment services.

Note 10. Long-Term Obligations As Related to Business-Type Activities

The **Oklahoma Water Resources Board** (Board) along with the **Department of Environmental Quality** has issued thirteen series of revenue bonds. These bonds provide resources to implement statewide financial assistance programs. These programs make loans to local government units for the acquisition, development, and utilization of storage and control facilities for water and sewage systems.

Long-term obligations at June 30, 2004, and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable from User Fees:								
1989-2004 Issues	1989-2004	0.98-6.70%	2037	\$ 347,735	\$ 250,880	\$ 67,430	\$ 531,185	\$ 26,335
Adjusted for: Bond Discounts				(882)	4,581	157	3,542	
Revenue Bonds Payable Net of Bond Discounts				346,853	255,461	67,587	534,727	26,335
Notes Payable:								
Loan Programs	2001	3.25-3.50%	2004	2,490	-	2,490	-	-
Adjusted for: Note Discounts				(5)	-	(5)	-	-
Notes Payable Net of Note Discounts				2,485	-	2,485	-	-
Other Noncurrent Liabilities				4,104	397	3,477	1,024	-
Total Long-Term Obligations				\$ 353,442	\$ 255,858	\$ 73,549	\$ 535,751	\$ 26,335

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2004, which have scheduled debt service amounts (expressed in thousands).

	2005	2006	2007	2008	2009	2010-2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2039	Total
Revenue Bonds:												
1989-2004 Issues	\$ 39,071	\$ 30,724	\$ 34,591	\$ 32,572	\$ 32,763	\$ 160,337	\$ 118,510	\$ 102,698	\$ 69,422	\$ 42,328	\$ 21,071	\$ 684,087
Less: Interest	12,736	12,034	11,601	11,127	10,668	44,357	28,950	14,588	4,872	1,713	256	152,902
Principal	26,335	18,690	22,990	21,445	22,095	115,980	89,560	88,110	64,550	40,615	20,815	531,185
Notes Payable:												
Loan Programs	-	-	-	-	-	-	-	-	-	-	-	-
Less: Interest	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 26,335	\$ 18,690	\$ 22,990	\$ 21,445	\$ 22,095	\$ 115,980	\$ 89,560	\$ 88,110	\$ 64,550	\$ 40,615	\$ 20,815	\$ 531,185
Adjusted for: Bond and Note Discounts												3,542
Long-Term Obligations without scheduled debt service:												
Other Noncurrent Liabilities												1,024
Total Long-Term Obligations												\$ 535,751

Certain of the bonds bear interest at variable rates, initially set at 0.87% to 3.80% and periodically adjusted pursuant to the provisions of the bond indentures, to a maximum rate of 12% to 14% per year. Variable rates are reset semiannually by the remarketing agent. The interest rate on the bonds ranged from 0.98% to 1.02% at June 30, 2004. At the option of the Board and subject to applicable provisions of the bond indenture, which require, among other things, that all bonds be successfully remarketed, the variable interest rate may be converted to a term rate that would stay fixed until maturity. These converted rate bonds bear interest at fixed rates ranging from 1.20% to 5.90%.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. The arbitrage rebate liability is recorded as other liabilities (\$1,024,000 noncurrent). This amount will be liquidated by the reporting enterprise fund. There are no scheduled future debt service requirements beyond one year.

Note 11. Long-Term Obligations As Related to Component Units

Long-term obligations at June 30, 2004 (September 30, 2003, for Oklahoma Housing Finance Agency and December 31, 2003, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), and changes for the fiscal year then ended are as follows (expressed in thousands).

	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable from User Fees:								
Industrial Finance Authority	1987-2001	1.91-10.00%	2022	\$ 62,897	\$ 5,000	\$ 8,502	\$ 59,395	\$ 1,325
Higher Education	1996-1999	4.00-6.70%	2006	5,865	-	5,005	860	430
Total Before Adjustments				68,762	5,000	13,507	60,255	
Adjusted for: Bond Premiums				15	-	11	4	
Net Deferred Debits on Refundings				(279)	-	(17)	(262)	
Total General Obligation Bonds Payable				68,498	5,000	13,501	59,997	1,755
Net of Bond Premiums and Deferrals								
Revenue Bonds Payable from User Fees:								
Student Loan Authority	1992-2002	1.30-6.70%	2031	466,885	40,625	-	507,510	-
Development Finance Auth.	1996	1.91%	2006	9,999	-	-	9,999	-
Environmental Finance Auth.	1977	5.90%	2007	1,000	-	-	1,000	-
Housing Finance Agency	1987-2003	1.11-8.92%	2034	582,009	171,728	216,565	537,172	90,575
Transportation Authority	1989-1998	3.15-7.88%	2028	1,263,885	-	9,738	1,254,147	26,010
Grand River Dam Authority	1987-1995	4.00-8.00%	2013	789,571	-	53,150	736,421	55,565
Municipal Power Authority	1990-2001	1.45-6.75%	2028	416,120	35,375	29,515	421,980	11,565
Higher Education	1966-2004	1.27-12.00%	2034	664,724	127,212	57,596	734,340	18,323
Total Before Discounts/Deferrals				4,194,193	374,940	366,564	4,202,569	
Adjusted for: Bond (Discount) Premiums				2,584	4	(699)	3,287	
Net Deferred Debits on Refundings				(77,980)	-	(13,933)	(64,047)	
Total Revenue Bonds Payable				4,118,797	374,944	351,932	4,141,809	202,038
Net of Bond (Discounts) Premiums and Deferrals								
Notes Payable:								
Multiple Injury Trust Fund	2000-2001	7.00%	2030	49,579	-	597	48,982	807
Student Loan Authority	1993-2001	1.15-1.83%	2025	83,200	67,700	-	150,900	-
Municipal Power Authority	2003	6.00%	2028	-	57,739	-	57,739	1,052
Higher Education	1999-2003	2.00-6.00%	2034	82,766	10,733	12,391	81,108	6,406
Total				215,545	136,172	12,988	338,729	8,265
Capital Leases:								
University Hospitals Authority				1,448	-	197	1,251	208
Higher Education				113,908	38,385	15,677	136,616	17,395
Total				115,356	38,385	15,874	137,867	17,603
Claims and Judgments				850,540	796,393	745,025	901,908	215,840
Due to Primary Government				41,734	1,510	-	43,244	-
Compensated Absences				69,342	57,247	53,977	72,612	53,227
Other Noncurrent Liabilities				171,090	18,026	13,834	175,282	5,212
Total Long-Term Obligations				\$ 5,650,902	\$ 1,427,677	\$ 1,207,131	\$ 5,871,448	\$ 503,940

The following table presents annual debt service requirements for those long-term obligations outstanding at June 30, 2004 (September 30, 2003, for Oklahoma Housing Finance Agency and December 31, 2003, for Oklahoma Transportation Authority, Grand River Dam Authority and Municipal Power Authority), which have scheduled debt service amounts (expressed in thousands).

	2005	2006	2007	2008	2009	2010-2014	2015-2019	2020-2024	2025-2029	2030-2034	Total
General Obligation Bonds:											
Industrial Finance Authority	\$ 2,909	\$ 2,901	\$ 2,839	\$ 3,448	\$ 3,312	\$ 12,690	\$ 15,594	\$ 30,324	\$ -	\$ -	\$ 74,017
Higher Education	469	449	-	-	-	-	-	-	-	-	918
	3,378	3,350	2,839	3,448	3,312	12,690	15,594	30,324	-	-	74,935
Less: Interest	1,623	1,520	1,414	1,333	1,217	4,340	2,909	324	-	-	14,680
Total Principal	1,755	1,830	1,425	2,115	2,095	8,350	12,685	30,000	-	-	60,255
Revenue Bonds:											
Student Loan Authority	13,961	7,961	7,960	7,961	15,805	37,634	44,138	60,982	155,648	350,088	702,138
Development Finance Auth.	118	10,087	-	-	-	-	-	-	-	-	10,205
Environmental Finance Auth.	59	59	59	1,030	-	-	-	-	-	-	1,207
Housing Finance Agency	118,776	42,459	31,303	31,120	29,997	146,800	135,441	140,251	402,550	-	1,078,697
Transportation Authority	89,531	89,516	89,039	98,324	98,318	491,605	494,089	442,136	253,184	-	2,145,742
Grand River Dam Authority	93,966	93,846	93,713	93,569	93,416	467,486	34,110	-	-	-	970,106
Municipal Power Authority	33,542	33,451	33,456	33,457	33,461	167,263	152,764	150,920	65,238	-	703,552
Higher Education	50,787	52,184	53,404	53,073	52,370	277,383	252,923	211,510	147,249	53,773	1,204,656
	400,740	329,563	308,934	318,534	323,367	1,588,171	1,113,465	1,005,799	1,023,869	403,861	6,816,303
Less: Interest	192,728	184,348	177,937	171,188	163,119	683,105	499,057	323,674	201,588	16,990	2,613,734
Total Principal	208,012	145,215	130,997	147,346	160,248	905,066	614,408	682,125	822,281	386,871	4,202,569
Notes Payable:											
Multiple Injury Trust Fund	5,064	4,052	4,052	4,052	4,052	20,260	20,260	20,260	20,260	7,030	109,342
Student Loan Authority	1,121	74,033	1,012	1,012	1,012	53,472	1,984	1,984	29,065	-	164,695
Municipal Power Authority	4,517	4,516	4,517	4,516	4,517	22,583	22,584	22,584	22,584	-	112,918
Higher Education	10,820	4,641	3,612	3,762	3,805	22,535	20,602	13,022	11,328	8,129	102,256
	21,522	87,242	13,193	13,342	13,386	118,850	65,430	57,850	83,237	15,159	489,211
Less: Interest	12,256	10,092	9,174	8,986	8,792	38,408	29,627	21,389	10,308	1,450	150,482
Total Principal	9,266	77,150	4,019	4,356	4,594	80,442	35,803	36,461	72,929	13,709	338,729
Capital Leases:											
University Hospitals Authority	300	299	302	300	301	48	-	-	-	-	1,550
Higher Education	23,014	20,359	17,589	14,250	12,651	46,807	35,742	10,430	-	-	180,842
	23,314	20,658	17,891	14,550	12,952	46,855	35,742	10,430	-	-	182,392
Less: Interest	5,813	5,167	4,597	4,093	3,739	13,388	6,689	1,039	-	-	44,525
Total Principal	17,501	15,491	13,294	10,457	9,213	33,467	29,053	9,391	-	-	137,867
Total	\$ 236,534	\$ 239,686	\$ 149,735	\$ 164,274	\$ 176,150	\$ 1,027,325	\$ 691,949	\$ 757,977	\$ 895,210	\$ 400,580	\$ 4,739,420
Adjusted for: Net Discounts and Deferred Debits on Refundings											(61,018)
Long-Term Obligations without scheduled debt service:											
Claims and Judgments											901,908
Due to Primary Government											43,244
Compensated Absences											72,612
Other Noncurrent Liabilities											175,282
Total Long-Term Obligations											\$ 5,871,448

A. General Obligation Bonds

Oklahoma Industrial Finance Authority (OIFA) has issued eleven series of general obligation bonds. These bonds are issued for the funding of industrial finance loans to encourage business development within the state. All revenues arising from the net proceeds from repayment of industrial finance loans and interest received thereon are pledged under these bond issues. In addition, these general obligation bonds are backed by the full faith and credit of the State.

Within the **Higher Education** component unit, Rose State College Technical Area Education District and Tulsa Community College Area School District #18 have authorized and issued two series of general obligation bonds with an original issue amount of \$22,175,000. These bonds were issued for the financing of buildings, equipment, and related capital improvements. Ad valorem taxes levied upon taxable property within their respective districts have been pledged to retire these general obligation bonds.

B. Revenue Bonds

The **Oklahoma Student Loan Authority (OSLA)** has issued seventeen series of revenue bonds. The bonds are issued for the purpose of funding student loans. All bonds payable are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective bond resolution. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in bond indentures. At June 30, 2004, the variable interest rates ranged from 1.05% to 1.85%.

The **Oklahoma Development Finance Authority (ODFA)** has issued a revenue bond to fund loans to various investment enterprises in connection with the Quality Jobs Investment Program. The bond is payable solely from and secured by the revenues and funds in the Quality Jobs Investment Program and a Credit Enhancement Reserve Fund guarantee insurance policy. The interest rate is variable and is equal to the Oklahoma Industrial Finance Authority's cost of funds on its outstanding variable rate bond issues. The interest rate at June 30, 2004 was 1.18%.

The **Oklahoma Housing Finance Agency** (OHFA) has issued 33 series of revenue bonds. The net proceeds of these bonds are used to provide financing for qualifying residences, provide interim and permanent financing for multi family construction projects, and establish debt service reserves as required by the various trust indentures.

The **Oklahoma Transportation Authority** (OTA) has issued five series of revenue bonds with an original issue amount of \$1,265,115,000. The bonds are issued for the purpose of financing capital improvements and new projects relating to the State's turnpike system and are financed primarily by tolls assessed on users of the turnpikes.

The **Grand River Dam Authority** (GRDA) has issued four series of revenue bonds with an original issue amount of \$1,042,956,000. Oklahoma statutes have authorized GRDA to issue revenue bonds not to exceed \$1,410,000,000.

The **Oklahoma Municipal Power Authority** (OMPA) has issued eight series of revenue bonds. The bonds are issued to finance portions of OMPA's acquisition and construction activities. The bonds are payable from and collateralized by a pledge of and security interest in the proceeds of the sale of the bonds, the revenues of OMPA, and assets in the funds established by the respective bond resolutions. Neither the State of Oklahoma nor any political subdivision thereof is obligated to pay principal or interest on the bonds. OMPA does not have any taxing authority. Certain of the bonds have a variable interest rate which is established either by auction or a weekly index. The maximum rate is 10%.

Twenty five of the State's colleges and universities within the **Higher Education** component unit have authorized and issued 69 series of revenue bonds with an original issue amount of \$718,527,000. These bonds were issued for the construction of student housing and other facilities. Student fees, revenues produced by the constructed facilities, and other revenues collateralize the revenue bonds.

C. Defeased Bonds

In prior years, component units have defeased bonds by placing assets in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trusts' assets and the liability for the defeased bonds are not included in the accompanying financial statements. The following defeased bonds were outstanding at June 30, 2004 (December 31, 2003 for OTA, GRDA, and OMPA) (expressed in thousands).

Revenue Bonds			
OTA	GRDA	OMPA	Higher Education
\$ 50,655	\$ 62,235	\$ 48,785	\$ 8,850

D. Notes Payable

The **Multiple Injury Trust Fund** (MITF) component unit reports a note payable to **CompSource Oklahoma** component unit of \$48,982,000, as permitted by statute. Included in this note payable is a \$6,000,000 advance on a line of credit not to exceed \$11,300,000. The remaining \$5,300,000 has not been advanced. The note and line of credit bear interest at a 7% rate and are payable over 30 years in quarterly installments. The note and line of credit are collateralized by MITF revenues and any equity or other interests available to MITF.

Notes of the **Oklahoma Student Loan Authority** (OSLA) are issued to fund student loans and are primarily secured by the student loans receivable, related accrued interest and by the amounts on deposit in the accounts established under the respective financing agreements. Variable interest rates are adjusted periodically based on prevailing market rates of various instruments as prescribed in lending agreements. At year end the variable interest rates ranged from 1.23% to 2.38%.

The **Oklahoma Municipal Power Authority** (OMPA) has issued \$57,739,000 of taxable limited obligation notes. The notes are payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC with no recourse to OMPA. The notes bear an interest rate of 6% and are due in years ranging from December 31, 2004 through December 31, 2028.

The **Higher Education** component unit has entered into various notes payable agreements. Oklahoma State University entered into a note payable to fund the construction of facilities. Lease payments, a pledge of "Section Thirteen Fund

State Educational Institutions” moneys, and the facilities constructed secure the notes. Oklahoma State University also entered into note payables for the purchase of equipment and facilities. The equipment and facilities purchased are pledged as collateral on the note. The University of Central Oklahoma entered into notes payable for the purchase of an integrated information system and equipment.

E. Capital Leases

The **Higher Education** component unit has entered into agreements with unrelated parties as well as agreements with the Oklahoma Capital Improvement Authority (OCIA) to lease various facilities, equipment and improvements. During prior fiscal years, the capital lease agreements the Higher Education component unit entered into with OCIA totaled \$49,178,000, with year end outstanding principal balance of \$37,649,000. Such agreements are included with capital lease obligations.

Leased assets under capital leases in capital assets at June 30, 2004, included the following (expressed in thousands).

	Land	Construction In Progress	Buildings	Equipment	Total
Cost	\$ 470	\$ 27,466	\$ 55,089	\$ 42,258	\$ 125,283
Less: Accumulated depreciation	-	-	(6,690)	(15,446)	(22,136)
Total	<u>\$ 470</u>	<u>\$ 27,466</u>	<u>\$ 48,399</u>	<u>\$ 26,812</u>	<u>\$ 103,147</u>

F. Other Liabilities and Arbitrage Rebate Liability

Claims and judgments, due to primary government, compensated absences, and other noncurrent liabilities of each component unit, as presented in the financial statements, will be liquidated by the reporting component unit. Other noncurrent liabilities include deferred revenue and other miscellaneous liability amounts. These liabilities do not have scheduled future debt service requirements beyond one year.

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements and arbitrage rebate liability on issuers of tax-exempt debt. At June 30, 2004 (December 31, 2003 for OTA and GRDA) the cumulative arbitrage rebate liability is as follows (expressed in thousands).

Reported as:	OSLA	GRDA
Accounts payable	\$ -	\$ 610
Other liabilities	300	-

G. Authorized Unissued Bonds

By statute, **Oklahoma Industrial Finance Authority** (OIFA) has authority to issue general obligation bonds not to exceed \$90,000,000 plus the any balance in its bond redemption account. This results in \$31,001,000 of authorized but unissued general obligation bonds. Certain institutions within the **Higher Education** component unit have been authorized to issue revenue bonds in the amount of \$329,210,000 for various construction, renovation and acquisition of property.

Note 12. Beginning Fund Balance/Net Assets Adjustments and Other Restatements

Beginning net assets related to Governmental Activities on the Statement of Net Assets have been restated to correct net capital assets for capital assets not previously reported and accumulated depreciation on assets not previously depreciable. Beginning net assets have also been restated to correct beginning revenue bonds payable for the Department of Corrections 2003A Revenue Bonds not previously reported. Beginning net assets have also been adjusted by the fund reclassification restatement of \$305,000 described below. The Capital Projects restatement outlined below does not effect beginning net assets. The total effect of these restatements decreased net assets by \$35,501,000 as of July 1, 2003.

Beginning fund balance related to the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds has been increased by \$305,000 due to the reclassification of certain funds. The Capital Projects Fund, a non-major governmental fund, is now part of the General Fund, increasing beginning fund balance by \$4,978,000. The total effect of these restatements increased fund balance for the General Fund by \$5,283,000.

Beginning net assets for Component Units have been restated to correct errors relating to capital assets made in prior years, reflect changes in capitalization policy, and to reclassify funds. The effect of the restatement reduced net assets by \$44,354,000 as of July 1, 2003.

Colleges and universities are now required to disclose financial information regarding component units as defined in GASB 39. This includes foundations and other entities that meet the reporting requirements. Therefore, the restated beginning balance of net assets for the Higher Education Component Unit has increased by \$905,230,000 as of July 1, 2003.

The Oklahoma Educational Television Authority (OETA) Foundation is a component unit of OETA as defined in GASB 39. Therefore, the beginning balance of net assets for the Non-major Component Units has been restated. The beginning balance increased by \$36,116,000 as of July 1, 2003.

Note 13. Nonrecourse Debt and Debt Guarantees

Nonrecourse (Conduit) Debt, Notes Receivable and Funds in Trust

Financing agreements of Oklahoma Development Finance Authority (ODFA) and Oklahoma Housing Finance Agency (OHFA) are structured such that the debt is to be repaid solely from the revenues derived from the related facilities leased or acquired, or from the disposition of collateral. ODFA and OHFA do not hold notes receivable and trust investments in amounts equal to the long-term financings. As of June 30, 2004 ODFA had 211 series of debt outstanding for non-state entities with an aggregate principal amount payable of approximately \$861,000,000 and original issuance amount of approximately \$968,000,000. As of September 30, 2003 OHFA had 8 series of multi family bonds outstanding with an aggregate principal amount payable of approximately \$30,383,000. These financings are not the general obligations of the State or state agencies, and it is the opinion of agency management and its legal counsel that, in the event of default by a borrower, the State has no responsibility for repayment of such financings. Accordingly, the nonrecourse debt and the related notes receivable and trust investments of ODFA and OHFA's multi family bond programs have been excluded from the financial statements. The debt and other obligations and the related notes receivable and other assets of OHFA's

single family bonds are presented in the financial statements, since any assets remaining when the single family bond programs are liquidated are transferred to OHFA.

Credit Enhancement Reserve Fund

Under the Constitution of the State of Oklahoma, ODFA may issue bonds of the State, to be known as Credit Enhancement Reserve Fund General Obligation Bonds, in a total principal amount of \$100,000,000 for the sole purpose of generating resources if there are insufficient assets to meet insurance obligations. The Fund is managed, administered, and utilized by ODFA solely to secure the payment of interest insurance on the revenue bonds and other financial obligations issued by the Authority for the specific purpose of enhancing and supporting the credit of such obligations. As of June 30, 2004, there was approximately \$32,000,000 of outstanding financial obligations insured by ODFA. At year end, the Fund has accrued a reserve for losses of approximately \$51,000, to cover potential losses from outstanding financial obligations insured by the Fund. Through June 30, 2004, there have been no Oklahoma Credit Enhancement Reserve Fund General Obligation Bonds issued since it is the intention of ODFA to utilize existing assets to meet obligations arising from losses reserved and accrued payments in lieu of interest by the Fund.

Note 14. Retirement and Pension Systems

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that administer pension plans: Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), Uniform Retirement System for Justices and Judges (URSJJ),

Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS). These plans are all fiduciary component units of the State. The Department of Wildlife Conservation administers the Wildlife Conservation Retirement Plan (WCRP) which is part of the primary government. The Oklahoma Housing Finance Authority has a defined contribution plan that is privately administered.

A. Primary Government

1. General Description of the Retirement System

The Wildlife Conservation Retirement Plan (WCRP) is a single-employer defined benefit retirement system administered by the Wildlife Conservation Commission for employees of the Department of Wildlife Conservation. The WCRP provides retirement, disability and death benefits to plan members and their beneficiaries. The WCRP was established by statute, however, benefit provisions are established and amended by the Wildlife Conservation Commission. Cost-of-living adjustments are provided to members at the discretion of the Wildlife Conservation Commission.

The Wildlife Conservation Retirement Plan is included in the audit report of the Department of Wildlife Conservation. This report may be obtained from the Department of Wildlife Conservation, 1801 N. Lincoln, Oklahoma City, OK 73105.

2. Funding Policy

The Wildlife Conservation Retirement Plan required contribution is determined by the Wildlife Conservation Commission and is based on actuarial calculations.

The Wildlife Conservation Retirement Plan receives contributions from each member based on their annual covered salary. The contribution requirements are established and amended by the Wildlife Conservation Commission. For fiscal year 2004, the employee contribution rate was 3%. The Department of Wildlife Conservation is required to contribute at an actuarially determined rate. The required contribution for the year ended June 30, 2004 was \$2,031,000.

3. Annual Pension Cost and Net Pension Obligation

The current year annual pension cost and net pension obligation for the Wildlife Conservation Retirement Plan was as follows (expressed in thousands):

	WCRP
Annual required contribution	\$ 2,031
Interest on net pension obligation	138
Adjustment to annual required contribution	(358)
Annual pension cost	1,811
Contributions made	1,200
Increase (decrease) in net pension obligation	611
Net pension obligation-beginning of year	1,720
Net pension obligation-end of year	\$ 2,331
Actuarial Assumptions:	
Investment rate of return	8.0%
Annual salary increase	5.0%
COLA increase	2.0%
Inflation rate	3.0%
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	6 years

The annual required contribution for the WCRP for the current year was determined as part of the July 1, 2003 actuarial valuation. Actual contributions equaled 59% of required contributions and 66% of annual pension costs for fiscal year 2004. The actuarial value of assets is set equal to the market value of assets.

Three-Year Trend Information
Wildlife Conservation Retirement Plan
(expressed in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2004	\$ 1,811	66%	\$ 2,331
6/30/2003	1,382	87%	1,720
6/30/2002	766	119%	1,538

The following Required Supplementary Information for the Wildlife Conservation Retirement Plan was determined as part of the actuarial valuations at the dates indicated.

Schedule of Funding Progress
Wildlife Conservation Retirement Plan
(unaudited)
(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2003	\$ 58,072	\$ 67,563	\$ 9,491	85.9%	\$ 12,933	73.4%
7/1/2003	55,615	61,317	5,702	90.7%	12,028	47.4%
7/1/2002	55,368	58,676	3,308	94.4%	12,058	27.4%

B. Component Units

1. General Description of the Retirement Systems

The Oklahoma Firefighters Pension and Retirement System (OFPRS), Oklahoma Public Employees Retirement System (OPERS), Oklahoma Police Pension and Retirement System (OPPRS), and the Teachers' Retirement System of Oklahoma (TRS) are all cost-sharing multi-employer defined benefit retirement systems. The Uniform Retirement System for Justices and Judges (URSJJ) and the Oklahoma Law Enforcement Retirement System (OLERS) are single-employer defined benefit retirement systems. Pension benefit provisions for all plans were established by statute and benefit provisions are amended by the State Legislature. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided to plan members at the discretion of the State Legislature.

Separately issued independent audit reports for each pension plan may be obtained from the following:

Firefighters Pension and Retirement
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

Law Enforcement Retirement
4545 N. Lincoln Blvd., Suite 257
Oklahoma City, OK 73105-3414

Police Pension and Retirement
1001 N.W. 63rd St., Suite 305
Oklahoma City, OK 73116-7339

Public Employees Retirement
5801 N. Broadway Ext., Suite 400
Oklahoma City, OK 73118

Uniform Retirement System for
Justices and Judges
5801 N. Broadway Ext., Suite 400
Oklahoma City, OK 73118

Teachers' Retirement System
2500 N. Lincoln Blvd., 5TH Floor
Oklahoma City, OK 73105-4209

The number of participating employers in cost-sharing multiple employer plans is as follows:

OFPRS	OPERS	OPPRS	TRS
534	142	121	631

During fiscal year 2004, the Teachers' Retirement System's unfunded liability increased from \$5,488,000,000 to \$7,419,000,000. This increase was primarily due to the impact of adding a 1.0% cost-of-living increase assumption, asset losses, and benefit enhancements. It should be noted that unfunded liabilities are expected to increase indefinitely due to negative amortization created by the current funding schedule.

2. Funding Policy

The contribution requirements for the six PERS are an established rate determined by the State Legislature each year and are not based on actuarial calculations. The Uniform Retirement System for Judges and Justices Board has the ability to adjust contribution rates to prevent a funded ratio of less than 100%.

Oklahoma Firefighters Pension and Retirement System (OFPRS) receives contributions from participating full-time firefighters equal to 8% of applicable earnings, while member cities contribute 13% of the member's applicable earnings. In addition, the member cities contribute \$60 for each volunteer firefighter unless their income in the general fund is less than \$25,000, in which case they are exempt. In fiscal years 2002 and 2003 the State allocated to OFPRS 34% of the insurance premium tax collected from insurance companies on various types of insurance policies as required by statute. Senate Bill 26 directed that these taxes be credited to the Education Reform Revolving Fund for fiscal year 2004 instead of OFPRS. The tax allocation to OFPRS will resume in fiscal year 2005. Insurance premium contributions to the plan for the years ended June 30, 2004, 2003, and 2002 totaled \$0, \$50,206,000, and \$47,350,000, respectively.

Oklahoma Law Enforcement Retirement System (OLERS) receives contributions from state agencies and members of 10% and 8%, respectively, of the actual paid base salary of each member. State employer contributions to the plan for the years ended June 30, 2004, 2003, and 2002 were \$5,284,000, \$5,907,000, and \$6,455,000, respectively. These contributions represent 100% of the contribution required. OLERS also receives 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%, and 5% of the insurance premium taxes collected by the insurance commissioner as required by statute. In fiscal year 2004, Senate Bill 206 required the insurance premium tax be directed to the Education Reform Revolving Fund instead of OLERS. This tax allocation will revert back to OLERS in fiscal year 2005. The state contributions to the plan for years ended June 30, 2004, 2003, and 2002 totaled \$8,100,000, \$15,579,000, and \$14,226,000, respectively.

Oklahoma Public Employees Retirement System (OPERS) receives contributions from each member based on their gross salary earned, excluding overtime. There is no cap on qualifying gross salary earned, subject to Internal Revenue Service limitations on compensation.

State, County, and Local Agency Employees - The following contribution rates were in effect during fiscal year 2004:

State employees and agencies – State employees contribute 3.0% on the first \$25,000 of salary and 3.5% on salary above \$25,000. State agency employers contribute 10% of total salary.

Participating county and local agencies – Employees contribute a minimum of 3.5% up to a maximum of 8.5% of salary. Employers contribute a minimum of 5% up to a maximum of 10%. Combined employee and employer contributions equal 13.5% of total salary.

Elected Officials - Elected officials' employee contributions are based on the maximum compensation levels set for all members and the participating employers are required to contribute on the elected officials' covered salary using the same percentage and limits as applicable for state agencies. Elected officials must select an employee contribution rate of 4.5%, 6.0%, 7.5%, 8.5%, 9.0%, or 10.0%.

Hazardous Duty Members – Hazardous Duty Members contribute 8% of total salary. Employers contribute 10% of total salary.

State agency employer contributions to OPERS for the years ended June 30, 2004, 2003, and 2002 were \$111,891,000, \$116,551,000, and \$118,787,000, respectively. These contributions represent 100% of the contribution required.

Uniform Retirement System for Justices and Judges (URSJJ) member contributions for fiscal year 2004 are 5% of members' monthly salary. Each married member in the plan must provide for spouse survivor benefits at the contributory rate of 8% unless the member's spouse waives this benefit. State statutes require participating court employers to contribute monthly a percentage of the gross salaries of active members. The percentage established for the year ended June 30, 2004 and June 30, 2003 was 2% of member payroll.

Oklahoma Police Pension and Retirement System (OPPRS) receives contributions from each participating municipality and each participant. Until July 1, 1991, each municipality contributed 10% of the actual base salary of each participant employed by the municipality. Beginning July 1, 1991, municipality contributions increased by 0.5% per year and continued until July 1, 1996, when the contribution level reached 13%, where it remains. Each participant of OPPRS contributes 8% of actual paid base salary. In addition, the State allocates a portion of the insurance premium taxes collected from insurance companies on various types of insurance policies as required by statute. Senate Bill 206 directed that this allocation be credited to the Education Reform Revolving Fund instead of OPPRS for fiscal year 2004. The allocation to OPPRS will resume in fiscal year 2005. Insurance premium contributions to the plan for the years ended June 30, 2004, 2003, and 2002 totaled \$0, \$20,400,000, and \$19,811,000, respectively.

Teachers' Retirement System (TRS) receives contributions from participating members and employers. All active members contribute to the system; however, the employer may elect to make all or part of the contribution for its employees. All members must contribute 7% of regular annual compensation, not to exceed the members' maximum compensation. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. For those members employed by a comprehensive university, the following table summarizes the maximum compensation level.

<u>Fiscal Year</u>	<u>For Members Who Elected the \$25,000 Limit Prior to June, 30 1995</u>	<u>For All Other Members</u>
2002	52,500	69,000
2003	57,500	74,000
2004	62,500	79,000

Maximum compensation levels will increase by \$5,000 each year through June 30, 2007, after which the full amount of regular annual compensation will be considered.

Employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 7.05% for fiscal year 2004 is applied to annual compensation up to defined caps depending upon the member's elections as previously described. In addition, Oklahoma statutes require the state to contribute 3.54% of the State's sales, income and use tax. Amended statutes increase this contribution rate to 5% by July 1, 2007. TRS received contributions of approximately \$143,100,000 from this source for fiscal year 2004. State contributions on behalf of employees totaled approximately \$36,309,000 for fiscal year 2004. Federal contributions to TRS for fiscal year 2004 totaled approximately \$13,042,000. State employer contributions to TRS for the year ended June 30, 2004, 2003, and 2002 were \$4,155,000, \$4,219,000, and \$3,981,000, respectively. These contributions represent 100% of the contributions required.

3. Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (excess funding is represented as negative amounts) for the current year were as follows (expressed in thousands):

	OLERS	URSJJ
Annual required contribution	\$ 25,343	\$ -
Interest on net pension obligation	(5,090)	(1,218)
Adjustment to annual required contribution	16,166	1,427
Annual pension cost	36,419	209
Contributions made	13,384	486
Increase (decrease) in net pension obligation	23,035	(277)
Net pension obligation-beginning of year	(67,858)	(16,246)
Net pension obligation-end of year	\$ (44,823)	\$ (16,523)
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Annual salary increase	5.8 - 8.8%	5.5%
COLA increase	3.0%	2.0%
Inflation rate	3.0%	3.0%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	17 years	24 years

The annual required contribution for URSJJ for the current year was determined as part of the July 1, 2003 actuarial valuation. For the period July 1, 1994, through July 1, 1999, the aggregate actuarial cost method was used to determine cost. Effective July 1, 2000, URSJJ adopted the entry age normal method for determining cost. Contributions exceeded the annual required contributions for the current year.

The annual required contribution for OLERS for the current year was determined as part of the July 1, 2003 actuarial valuation. Costs were prepared using the entry age normal method for all valuation dates except July 1, 1997, when the unfunded actuarial liability was negative and the actuarial cost method was changed to the aggregate cost method. The entry age normal method was used for all valuations subsequent to the 1997 valuation, including the current year. Contributions equaled 53% of the annual required contributions for the current year.

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date, assuming a 7.5% rate of return for URSJJ and 7.5% rate of return for OLERS. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

Three-Year Trend Information

(expressed in thousands)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Oklahoma Law Enforcement Retirement System	6/30/2004	\$ 36,419	37%	\$ (44,823)
	6/30/2003	33,382	63%	(67,858)
	6/30/2002	19,093	107%	(80,135)
Uniform Retirement System for Justices and Judges	6/30/2004	209	233%	(16,523)
	6/30/2003	185	264%	(16,246)
	6/30/2002	1,151	43%	(15,942)

The following Required Supplementary Information for OLERS and URSJJ was determined as part of the actuarial valuations at the dates indicated.

Oklahoma Law Enforcement Retirement System

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2004	\$ 604,131	\$ 689,801	\$ 85,670	87.6%	\$ 48,872	175.3%
7/1/2003	585,823	667,699	81,876	87.7%	50,282	162.8%
7/1/2002	570,337	632,402	62,065	90.2%	49,264	126.0%

Uniform Retirement System for Judges and Justices

(unaudited)

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2004	\$ 201,142	\$ 166,276	\$ (34,866)	121.0%	\$ 25,715	(135.6%)
7/1/2003	196,990	140,856	(56,134)	139.9%	25,653	(218.8%)
7/1/2002	193,011	130,227	(62,784)	148.2%	25,744	(243.9%)

4. Other Retirement Systems

The Oklahoma Housing Finance Agency (OHFA), a component unit of the State, contributes to the Oklahoma Housing Finance Agency Retirement Plan, which is a defined contribution plan. Under its provisions, all new employees are required to participate in the Oklahoma Public Employees Retirement System (OPERS), and are not eligible to join the OHFA plan after June 30, 1997. OHFA's contribution amount is at the discretion of the Board of Trustees and does not have any limitations. The current contribution rate is 10% of eligible employees' compensation. Employees begin vesting after two years of service and become fully vested after six years of service. Plan provisions were established and may be amended by the Board of Trustees.

In addition to the TRS, various institutions in the Higher Education Component Unit participate in other pension plans, primarily the Teachers Insurance and Annuity Association. These plans are defined contribution plans. Contributions made by participating institutions are based on a percentage of payrolls for qualified employees as determined by each institution's contract. For those institutions providing these plans, the total covered payroll was \$666,587,000. The institution contributions were \$54,089,000 or 8.1% of covered payroll. Employees are not required to contribute to the plans.

Several institutions in the Higher Education Component Unit also sponsor supplemental retirement annuities to guarantee eligible retirees a minimum level of benefits from other retirement sources. New employees are not eligible to participate in these plans. These annuities operate as defined benefit plans. Funding varies among institutions, with some funding based on actuarial calculations and others on a pay-as-you-go basis. Employees are not required to contribute to these plans.

Note 15. Other Postemployment Benefits

Primary Government

In addition to the pension benefits described in the Retirement and Pension Systems note, the State provides post-retirement health care benefits (OPEB). The Department of Wildlife Conservation pays the Medicare supplement insurance premium or \$100 per month, whichever is less, for all retirees of the Wildlife Conservation Retirement Plan who elect coverage at the time of retirement through the Oklahoma State and Education Employees Group Insurance Board.

	Current Year Expenditures	Eligible Participants	Enabling Legislation
Department of Wildlife Conservation	\$ 104,400	87	Title 29, 3-306

The Department of Wildlife Conservation funds postemployment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

Component Units

Oklahoma Law Enforcement Retirement System (OLERS), Oklahoma Public Employees Retirement System (OPERS), and Uniform Retirement System for Judges and Justices (URSJJ) pay the Medicare supplement insurance premium or \$105 per month, whichever is less, for all retirees who elect coverage at time of retirement through the Oklahoma State and Education Employees Group Insurance Board. Teachers' Retirement System of Oklahoma (TRS) pays between \$100 and \$105 per month for each retiree, depending on the member's years of service.

	Current Year Expenditures	Eligible Participants	Enabling Legislation
OLERS	\$ 626,000	498	Title 74, 1316.2
OPERS	17,074,600	13,474	Title 74, 1316.2
URSJJ	120,000	95	Title 74, 1316.2
TRS	31,143,000	26,874	Title 74, 1316.2

OLERS, OPERS, URSJJ, and TRS fund postemployment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations. The Retirement and Pension Systems note includes additional basic disclosures related to OPEB.

Oklahoma Firefighters Pension and Retirement System and Oklahoma Police Pension and Retirement System do not provide other postemployment benefits.

Eighteen of the institutions included in the Higher Education Component Unit offer postemployment benefits upon the authorization of the institution's Board of Regents. These benefits primarily provide health, dental and life insurance benefits. The eligibility requirements differ depending on the higher education institution. Current year benefit expenditures, funded on a pay-as-you-go basis, totaled approximately \$5,105,000 for the estimated 2,222 eligible participants.

Note 16. On-Behalf Payments

In 1999, legislation was passed to modify the funding source for on-behalf payments to the Teachers' Retirement System (TRS). Prior to July 1, 1999, the State's on-behalf contributions to TRS came from a portion of the dedicated natural and casinghead gas tax. Effective July 1, 1999, the State's on-behalf contributions to TRS are 3.54% of the revenue generated by the State's sales, use and income taxes. Total on-behalf contributions made to TRS were \$143,100,533 for the year ended June 30, 2004.

Note 17. Commitments

Primary Government

The **Department of Transportation** had contractual commitments at June 30, 2004, of approximately \$454,730,000 for the construction of various highway projects. Future appropriations will fund these commitments as work is performed.

The **Department of Human Services** (DHS) maintains a construction unit which engages in capital improvements of state buildings. At year end, DHS had long-term projects totaling \$30,414,000 for the General Fund.

Component Units

The **University of Oklahoma** had outstanding commitments under construction contracts totaling \$55,846,000 at June 30, 2004.

The **Oklahoma Industrial Finance Authority** (OIFA) had outstanding loan commitments at June 30, 2004, approved by its Board of Directors totaling \$3,186,000. These loan agreements include a "pending clause" which states that money would be disbursed upon availability of funds.

The **Oklahoma Student Loan Authority** (OSLA) has entered into various forward purchase and sale commitment agreements with certain Oklahoma financial institutions for which it performs interim status loan servicing. Under these forward purchase and sale commitments, OSLA is required to purchase Federal Family Education Loans (FFEL) under certain terms and conditions. As of June 30, 2004, OSLA was committed to purchase approximately \$92,184,000 of FFEL.

The **Oklahoma Transportation Authority** (OTA) had commitments outstanding at December 31, 2003, relating to equipment orders and supplies of approximately \$15,000,000. At December 31, 2003, OTA had commitments outstanding relating to construction and maintenance contracts of approximately \$12,000,000.

The **Oklahoma Municipal Power Authority** (OMPA) purchased approximately \$13,600,000 of power pursuant to several long-term purchase agreements during 2003. OMPA is obligated to purchase, at a minimum, approximately \$10,900,000 of power in 2004.

Subsequent to June 2004, the **Native American Cultural and Education Authority** Bond Oversight Board has approved the sale of \$33,000,000 of new bonds on behalf of the Authority. The Authority will have to fund or provide the interest on the bonds for at least three years.

Note 18. Litigation and Contingencies

The State and its component units are parties to numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged breaches of contract, condemnation proceedings, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State, but remained unpaid as of June 30, 2004. Including the \$4,860,000 claim incurred by the Component Units discussed below, the State has accrued a liability of \$7,835,000 for the payment of such claims. This amount is reported in the General Fund.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2004, the State is unable to estimate what liabilities may result from such audits.

Primary Government

The **Department of Transportation** (DOT) has incurred significant expenditures on construction projects that have exceeded the amounts approved by the federal grantor. These project expenditures are held in suspense until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, 85% of the amount held in suspense will be reimbursed. At June 30, 2004, DOT had project expenditures totaling \$3,352,000 of which an estimated \$2,849,000 will be reimbursed pending approval of the Federal Government.

The **Oklahoma Water Resources Board** (Board), pursuant to statute, assumed the obligations of the Oklahoma Water Conservation Storage Commission including a 1974 contractual obligation to repay the United States (through the Army Corps of Engineers) for the costs of constructing water supply storage at Sardis Reservoir in southeastern Oklahoma. Under the 1974 contract, annual payments are to be made for the reservoir construction, operation, and maintenance allocated to the present use water supply storage. Total unaudited construction costs of the Sardis Reservoir allocated to water supply storage are approximately \$38,400,000. Payments on the reservoir began in 1983 and are to continue for 50

years. As of June 30, 2004, the State has made payments of approximately \$4,416,000; however, the Board did not receive legislative authorization to pay the annual payments due in the fiscal years 1989 through 1995. No payments have been made since 1997. The amount in arrears, including interest and penalty is approximately \$12,440,000. The Army Corps of Engineers has indicated that the obligation may be declared in default and remedies sought.

Component Units

The State Legislature enacted legislation that transferred \$31,500,000 of state employee insurance premiums during fiscal year 1997 to the **Oklahoma State Regents for Higher Education** to help fund higher education in the state. These premiums were originally designated to be paid to the **Oklahoma State and Education Employees Group Insurance Board** to provide health insurance coverage for participating employees. In August 1998 the Federal Department of Health and Human Services Departmental Appeals Board sided with the federal government and ordered the State to pay \$7,100,000 which represents the amount included in grant costs charged to the federal government. This balance accrues simple interest at a rate of 13.75%, and \$5,600,000 in interest has accrued through June 30, 2004. A liability for principal and interest is recorded in the General Fund. The State has reached an agreement with the Federal Government to repay the total of \$12,700,000 in annual installments of \$4,000,000 beginning in fiscal year 2004 and continuing until the debt is repaid. As of June 30, 2004, the balance of this debt is \$8,700,000.

The **Oklahoma Capital Investment Board** (OCIB), as a public trust of the State of Oklahoma, has authority to transfer tax credits to public entities. Tax credits can be transferred by OCIB in conjunction with a legitimate call on an OCIB guarantee. OCIB has guaranteed a \$30,000,000 line of credit for a third-party corporation in order to mobilize investment in business ventures by use of qualified risk capital pools. As of June 30, 2004, the outstanding debt in connection with the line of credit was approximately \$26,932,000.

The credits and OCIB's right to transfer the credits expire if not utilized by July 1, 2015. As of June 30, 2004, no credits had been transferred. However, four entities have signed agreements to purchase up to an aggregate of \$8,000,000 per year, at the sole discretion of OCIB. OCIB has authority to issue up to \$20,000,000 of tax credits per year with an overall maximum of \$100,000,000.

Note 19. Subsequent Events

Primary Government

On June 30, 2004, the **Oklahoma Capital Improvement Authority (OCIA)** was awaiting Supreme Court approval to issue \$5,000,000 of bonds for Capitol Dome construction. Authorized bonds totaling \$4,000,000 for the construction of offices for the Attorney General and \$6,000,000 for the Oklahoma Military Department were issued in April 2005. In May 2005, OCIA issued bonds totaling \$33,000,000 for the construction of the Native American Center. Currently, OCIA has \$30,000,000 authorized but not issued for the Wildlife Conservation Commission and \$21,500,000 authorized but not issued for the Oklahoma State Bureau of Investigation.

The **Department of Mental Health and Substance Abuse** has authorized bonds totaling \$18,900,000 for construction and renovation of facilities that have not been issued as of June 30, 2004.

The **Department of Transportation** is awaiting Supreme Court approval to issue \$50,000,000 of grant anticipation revenue vehicle bonds (GARVEE Highway Notes).

The **Oklahoma Water Resources Board** was approved to issue up to \$225,000,000 of tax exempt, fixed-rate clean water state revolving fund and drinking water state revolving fund loan program bonds, Series 2004.

Component Units

In July 2004, the **Oklahoma Development Finance Authority (ODFA)** was authorized to issue up to \$38,000,000 in taxable (Oklahoma tax exempt) fixed-rate revenue obligations, Series 2004, for the Michelin North America Project. **ODFA** was also authorized to issue up to \$38,000,000 in taxable fixed-rate revenue obligations, Series 2004, for the Goodyear Tire and Rubber Company Project. **ODFA** was also authorized to use up to \$4,500,000 of the Credit

Enhancement Reserve Fund to provide enhancement to its industrial development taxable revenue bonds, Series 2004, Goodyear Project.

In September 2004, **ODFA** was granted authority to provide a credit enhancement reserve fund guarantee in an amount not to exceed \$2,500,000 for the Industrial Development taxable revenue bonds, Series 2004 of the Michelin Project. This authority is for credit enhancement similar to the Goodyear Project reserve to replace the cash funded reserve which was not provided for in the enabling act.

In December 2004, **ODFA** closed the transactions for the issuance of Master Lease Revenue bonds in the amount of \$7,180,000. Also, in May 2005, ODFA issued \$7,980,000 in Master Lease Revenue refunding bonds for the Oklahoma Department of Veterans Affairs.

The Regents of **Cameron University** authorized \$9,000,000 of revenue bonds for the new student living and learning center. The bonds were issued in July 2004.

The **University of Central Oklahoma** was authorized to issue \$13,000,000 of revenue bonds to finance the renovation of Wantland Stadium. The bonds were issued in July 2004.

In July 2004, the **University of Oklahoma** Board of Regents issued revenue bonds totaling \$80,000,000 for the construction and renovation of student housing. In November 2004, the Regents issued Research Facilities revenue bonds totaling \$20,600,000, and also \$9,900,000 of revenue bonds for the repair and upgrade of the chilled water plant at the Health Science Center campus. The Regents were waiting for a favorable vote of the people to raise tobacco taxes before issuing \$75,000,000 of bonds to construct a comprehensive cancer center at the Health Science Center campus. The tax increase was approved in November 2004, but the bonds have not been issued.

Oklahoma State University (OSU) authorized issuance of \$11,500,000 of bonds to expand the chilled water system on the Stillwater campus which have not been issued. In December 2004, **OSU** Issued \$22,635,000 of Athletic Facilities revenue bonds.

The **Oklahoma State University-Okmulgee** Regents authorized the issuance of \$3,500,000 of bonds to renovate the administrative facilities, refurbish parking lots, streets, and add lighting. In September 2004, bonds totaling \$3,000,000 were issued.

Connors State College was authorized to issue bonds totaling \$710,000 to replace the water plant on the Warner campus. The bonds have not been issued.

Oklahoma State University of Osteopathic Medicine was waiting for voter's approval to raise tobacco taxes before issuing \$35,000,000 of bonds to construct facilities to expand telemedicine to rural areas. The tax increase was approved in November 2004, but the bonds have not been issued.

In March 2005, **East Central University** issued bonds totaling \$5,000,000 for the construction of a fine arts center.

The Regents of **Oklahoma City Community College** issued \$10,000,000 of revenue bonds for student related facilities in January 2005.

House Bill 1904 (April 2004) created the **Oklahoma State Regents'** Endowment Trust Fund. The Bill authorized the Oklahoma Capitol Improvement Authority (OCIA) to issue \$50,000,000 in obligations to fund the Trust, but requires Supreme Court approval as a condition to issuance of the obligations. OCIA is waiting for the Supreme Court's approval.

In September 2004, the Trustees of the **Oklahoma Student Loan Authority (OSLA)** adopted a supplemental bond resolution authorizing issuance of its \$40,625,000 (this was later increased to \$65,045,000) tax-exempt Senior Auction Rate Bonds, Series 2004A-2. These bonds were issued March 2005. In February 2005, the OSLA's existing taxable, variable rate warehouse line of credit for student loan programs was increased to \$250,000,000.

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Required Supplementary Information–Budgetary Schedules

Required Supplementary Information–Budgetary Schedules

Budgetary Comparison Schedule
Budget to Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	Budgetary General Fund				
	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget
Revenues					
Taxes	\$ 4,478,857	\$ 0	\$ 4,478,857	\$ 4,709,054	\$ 230,197
Licenses, Permits and Fees	38,105	0	38,105	43,067	4,962
Interest and Investment Revenue	45,296	0	45,296	35,299	(9,997)
Local Receipts and Reimbursements	49,148	0	49,148	31,211	(17,937)
Other	29,733	0	29,733	35,943	6,210
Total Revenues	4,641,139	0	4,641,139	4,854,574	213,435
Expenditures					
Education	128,487	9,922	138,409	129,689	8,720
General Government	108,955	13,600	122,555	108,497	14,058
Health Services	194,657	5,750	200,407	197,013	3,394
Legal and Judiciary	101,435	4,021	105,456	103,566	1,890
Museums	10,157	205	10,362	10,151	211
Natural Resources	61,400	2,416	63,816	62,793	1,023
Public Safety and Defense	471,309	12,700	484,009	475,605	8,404
Regulatory Services	13,355	642	13,997	13,661	336
Social Services	122,201	2,770	124,971	123,663	1,308
Total Expenditures	1,211,956	52,026	1,263,982	1,224,638	39,344
Revenues in Excess of Expenditures	3,429,183	(52,026)	3,377,157	3,629,936	252,779
Other Financing Sources (Uses)					
Transfers In	16,200	484,895	503,595	503,595	0
Transfers Out	(1,262,624)	0	(1,262,624)	(1,262,624)	0
Intra Agency Transfers to Continuing Funds	(2,467,471)	(44,417)	(2,511,888)	(2,511,888)	0
Total Other Financing Sources (Uses)	(3,713,895)	440,478	(3,270,917)	(3,270,917)	0
Revenue and Other Sources in Excess of Expenditures and Other Uses	(284,712)	388,452	106,240	359,019	252,779
Budgetary Fund Balance - Beginning of Year	564,783	0	564,783	564,783	0
Budgetary Fund Balance - End of Year	\$ 280,071	\$ 388,452	\$ 671,023	\$ 923,802	\$ 252,779

The Notes to the Required Supplementary Information are an integral part of this schedule.

Note to Required Supplementary Information - Budgetary Reporting FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

Certain appropriations are transferred to continuing funds for expenditure. Unexpended amounts so transferred may then be rebudgeted in subsequent fiscal years. These transfers are not included in the total expenditures on the Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis), but are reported as a separate item under Other Financing Uses. Presented below are transfers to continuing funds by function of government within the General Fund and a reconciliation to the Schedule of Expenditures and Intra-Agency Transfers as presented following the Notes in the Required Supplementary Information (expressed in thousands):

Education	\$ 1,460,316
General Government	17,077
Health Services	2,801
Legal and Judiciary	3,789
Museums	8
Natural Resources	2,516
Public Safety and Defense	-
Regulatory Services	-
Social Services	832,289
Transportation	193,092
Total Transfers to Continuing Funds	<u>2,511,888</u>
Total Expenditures per Budgetary Comparison Schedule - Budget to Actual (Non-GAAP Budgetary Basis)	<u>1,224,638</u>
Total per Schedule of Expenditures and Intra-Agency Transfers as Presented in the Schedule of Expenditures and Intra-Agency Transfers-Detail Budget to Actual Comparison (Non-GAAP Budgetary Basis)	<u><u>\$ 3,736,526</u></u>

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resulting basis, perspective, and entity differences in the revenues in excess of (less than) expenditures and other financing sources (uses) between budgetary and GAAP presentations for the year ended June 30, 2004, is presented below (expressed in thousands) for the General Fund.

Budgetary Basis Fund Balance, June 30, 2003	\$ 564,783
Excess of total sources over total uses of financial resources (Budgetary Basis)	<u>359,019</u>
Budgetary Basis Fund Balance, June 30, 2004	923,802
Entity and Perspective Differences:	
Non-budgeted Funds and Capital Funds	2,044,874
Encumbrances	66,980
Basis Differences:	
Add: Net accrued revenues, related receivables, and deferred revenues	554,946
Less: Net accrued expenditures and related liabilities	<u>(1,516,228)</u>
GAAP Basis Fund Balance, June 30, 2004	<u><u>\$ 2,074,374</u></u>



Other Supplementary Information–Budgetary Detail

Other Supplementary Information–Budgetary Detail

Schedule of Expenditures and Intra-Agency Transfers-Detail
Budget to Actual Comparison (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
EDUCATION					
State Arts Council					
1 Duties	\$ 3,864	\$ 0	\$ 3,864	\$ 3,785	\$ 79
11 FY-03 C/O- Duties	0	497	497	397	100
Agency Total	3,864	497	4,361	4,182	179
Department of Education					
1 Financial Suppt of Pub Schools (1)	971,648	0	971,648	971,648	0
1 Financial Suppt of Pub Schools (1)	1,330	0	1,330	1,330	0
11 Financial Suppt of Pub Schools (1)	1,760	0	1,760	1,760	0
11 Pub Sch Act Staff Dev Read Suf (1)	4,103	0	4,103	4,103	0
12 Pub Sch Act Staff Dev Great Expect	772	0	772	767	5
12 FY-03 C/O- Textbooks	0	100	100	0	100
12 Education Leadership - 04 Suppl (1)	0	465	465	465	0
13 Pub Sch Act Staff Dev ADA Bas (1)	2,327	0	2,327	2,327	0
14 Pub Sch Act AP Admin Cost	48	0	48	33	15
15 Pub Sch Act Adv Place Incent (2)	1,763	0	1,763	1,619	144
17 Pub Sch Act Teacher Retire Credit	35,311	0	35,311	35,311	0
18 Cert Emp Health Benefit Allow (1)	75,436	0	75,436	75,436	0
19 Suppt Pers Health Benefit Allow (1)	73,036	0	73,036	73,036	0
20 Pub Sch Act Sch Lunch Matching (1)	3,418	0	3,418	3,418	0
21 Pub Sch Act Sch Lunch Progs MOE	359	0	359	359	0
23 Pub Sch Act Alt Ed Prog Eval	823	0	823	823	0
24 Pub Sch Act Alt Ed Arts Component	175	0	175	175	0
25 Pub Sch Act Alt Ed Admin Costs	73	0	73	73	0
26 Pub Sch Act Alt Ed Comp Grants (1)	761	0	761	761	0
27 Pub Sch Act Alt & High Chall Educ (1)	15,380	0	15,380	15,380	0
28 Pub Sch Act Adult Ed Matching (2)	2,131	0	2,131	2,129	2
29 Pub Sch Act Driver Education (1)	443	0	443	443	0
30 Pub Sch Act Early Intervention (1)	11,541	0	11,541	11,541	0
34 Pub Sch Act Parent Training Prog (1)	1,045	0	1,045	1,045	0
35 Pub Sch Act OPAT Prog Eval	16	0	16	15	1
36 Pub Sch Act OPAT Pub Housing	131	0	131	129	2
37 Pub Sch Act OPAT Tech Assist	38	0	38	6	32
38 Pub Sch Act OPAT Field Ops	65	0	65	60	5
40 Pub Sch Act Sch/Comm Arts in Ed	113	0	113	77	36
41 Pub Sch Act Ed Leadership OK (1)	3,252	0	3,252	3,252	0
42 Pub Sch Act ICTE Small Coops (1)	246	0	246	246	0
43 Pub Sch Act Jane Brooks Sch (1)	49	0	49	49	0
44 Pub Sch Act OK Sci & Eng Fair (1)	47	0	47	47	0
46 Pub Sch Act Sml Sch Grants (1)	131	0	131	131	0
47 Pub Sch Act Summer Arts Instit	416	0	416	416	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
48 Pub Sch Act AG in Classroom (1)	44	0	44	44	0
49 Pub Sch Act OK Ambass of Teach	33	0	33	33	0
50 Pub Sch Act Teacher Salary Inc (1)	139,331	0	139,331	139,331	0
52 Pub Sch Act Staff Dev Neurodev	978	0	978	967	11
53 Textbooks (2)	33,000	0	33,000	32,990	10
53 FY-03 C/O- Pub Sch Adv	0	183	183	183	0
54 Pub Sch Act Staff Dev Child Svc	310	0	310	310	0
54 Reapp/Redes Ed Leadership OK (1)	0	186	186	186	0
55 Reapp/Redes for Nat'l Adult Lit Sv	0	58	58	58	0
56 Reapp/Redes for Nat'l Adult Lit Sv	0	73	73	72	1
57 Reapp/Redes for State Aid Study (1)	0	176	176	176	0
58 FY-03 C/O- Pub Sch Adv	0	1	1	1	0
59 Pub Sch Act ICTE Arts	35	0	35	35	0
60 FY-03 C/O- Pub Sch Act	0	3	3	3	0
61 FY-03 C/O- Pub Sch Act	0	2	2	2	0
62 FY-03 C/O- Pub Sch Act	0	3	3	0	3
63 FY-03 C/O- Pub Sch Act	0	20	20	13	7
64 FY-03 C/O- Pub Sch Act	0	11	11	11	0
65 FY-03 C/O- Pub Sch Act	0	665	665	665	0
66 Pub Sch Act VISION Project	677	0	677	391	286
67 FY-03 C/O- DOE Adm	0	433	433	433	0
68 FY-03 C/O- Ad Supt Fin	0	2	2	2	0
69 FY-03 C/O- Ad Supt Lit	0	111	111	111	0
70 Adm & Supt Func - DOE	13,449	0	13,449	13,018	431
73 Adm & Supt Func - DOE Fin Acctg	178	0	178	167	11
74 Adm & Supt Func - Natl Adlt Liter	85	0	85	84	1
75 Adm & Supt Func - DOE NAEP	44	0	44	42	2
76 Adm & Supt - DOE 8th Gr Test (1)	307	0	307	307	0
78 Adm & Supt Func - DOE OKAGE	226	0	226	226	0
80 Returned approp Fin Supt Sch (1)	0	12,506	12,506	12,506	0
80 Office of Accountability (2)	250	0	250	250	0
81 Returned approp Pub Sch Act (1)	0	3,061	3,061	3,061	0
82 Returned approp Off Acct (1)	0	3	3	3	0
83 Returned Approp DOE Adm	0	245	245	245	0
84 Returned Approp Cert Emp Hlth (1)	0	458	458	458	0
85 Returned Approp Supt Pers Hlth (1)	0	667	667	667	0
86 Returned Approp Flex Ben Cert (1)	0	301	301	301	0
87 Returned Approp Flex Ben Cert (1)	0	83	83	83	0
89 FY-03 C/O- Pub Sch Act	0	9	9	9	0
90 FY-03 C/O- Pub Sch Act	0	1	1	1	0
91 FY-03 C/O- Pub Sch Act	0	4	4	0	4
92 Transfer to OTC Ad Val-'04 Suppl (1)	0	17,300	17,300	17,300	0
98 Reapp/Redes Educ Leadership OK	0	100	100	0	100
Agency Total	1,397,134	37,230	1,434,364	1,433,155	1,209

GENERAL FUND					
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Oklahoma Commission for Teacher Preparation					
1 Duties	1,986	0	1,986	1,973	13
11 FY-03 C/O- Duties	0	577	577	70	507
Agency Total	1,986	577	2,563	2,043	520
Commission of the Land Office					
1 Duties	4,095	0	4,095	4,066	29
Agency Total	4,095	0	4,095	4,066	29
Department of Libraries					
1 Duties	6,166	0	6,166	6,136	30
11 FY-03 C/O- Duties	0	100	100	100	0
Agency Total	6,166	100	6,266	6,236	30
Board of Private Vocational School					
1 Duties	153	0	153	138	15
11 FY-03 C/O- Duties	0	7	7	7	0
Agency Total	153	7	160	145	15
Physician Manpower Training Commission					
1 Duties	5,018	0	5,018	4,919	99
11 FY-03 C/O- Duties	0	60	60	(4)	64
Agency Total	5,018	60	5,078	4,915	163
Center for Advancement of Science and Technology					
1 Duties - Administration	469	0	469	253	216
2 Res Support (1)	10,546	0	10,546	10,546	0
11 FY-03 C/O- Admin	0	68	68	68	0
12 FY-03 C/O- Res Suppt (1)	0	138	138	138	0
Agency Total	11,015	206	11,221	11,005	216
Oklahoma School of Science and Mathematics					
1 Duties	5,027	0	5,027	4,267	760
2 Pilot Outreach Programs	1,178	0	1,178	1,091	87
11 FY-03 C/O- Duties	0	411	411	411	0
12 FY-03 C/O- Pilot Outreach	0	152	152	150	2
Agency Total	6,205	563	6,768	5,919	849

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Department of Career and Technology Education					
8 Duties (2)	111,629	0	111,629	106,618	5,011
9 Certified Emp Hlth Benefit Allow(1)	2,423	0	2,423	2,423	0
10 Supt Person Hlth Benefit Allow (1)	3,271	0	3,271	3,271	0
11 Training for Industry Program	500	0	500	0	500
18 FY-03 C/O- Duties	0	5,955	5,955	5,955	0
19 FY-03 C/O- Cert Employees	0	20	20	20	0
20 FY-03 C/O- Supt Employees	0	37	37	37	0
21 FY-03 C/O- Flex Cert	0	11	11	11	0
22 FY-03 C/O- Flex Supt	0	4	4	4	0
Agency Total	117,823	6,027	123,850	118,339	5,511
Education Total	1,553,459	45,267	1,598,726	1,590,005	8,721
GENERAL GOVERNMENT					
Office of State Finance					
1 Duties	7,581	0	7,581	6,933	648
3 CORE System Project (1)	7,000	0	7,000	7,000	0
4 US DHHS Settlement (1)	4,000	0	4,000	4,000	0
5 Military Strategic Planning Comm (1)	1,500	0	1,500	1,500	0
11 FY-03 C/O- Duties	0	545	545	545	0
12 FY-03 C/O- Duties	0	257	257	257	0
Agency Total	20,081	802	20,883	20,235	648
Department of Commerce					
1 Duties (2)	16,792	0	16,792	15,230	1,562
1 FY-04 Suppl. Native Amer. Cult Ctr	0	121	121	121	0
2 Community Action Agencies	663	0	663	663	0
3 Headstart	3,118	0	3,118	3,104	14
4 Native American Cultural Center (1)	518	0	518	518	0
5 Capital Improvement (1)	500	0	500	500	0
6 Rural Enterprise, Inc. VANSAT Prog	38	0	38	38	0
7 OSU Small Rural Manufacturing Prog	300	0	300	113	187
7 Economic Development Projects	0	192	192	159	33
8 Oklahoma Community Institue	79	0	79	79	0
11 FY-03 C/O- Duties	0	1,421	1,421	1,421	0
13 FY-03 C/O- Fund 235 (1)	0	2	2	2	0
14 FY-03 C/O- ODFA Rur	0	2	2	2	0
15 FY-03 C/O- Fund 216 (1)	0	2	2	2	0
41 FY-03 C/O- Mainstreet	0	26	26	25	1
41 FY-03 C/O- Headstart	0	3	3	3	0
Agency Total	22,008	1,769	23,777	21,980	1,797

GENERAL FUND					
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
State Election Board					
1 Duties	4,985	0	4,985	4,478	507
2 For Holding Elections	1,211	0	1,211	1,043	168
3 Help America Vote Act of 2002	97	0	97	0	97
4 Help America Vote Act of 2002	1,902	0	1,902	0	1,902
11 FY-03 C/O- Duties	0	888	888	888	0
12 FY-03 C/O- Elections	0	81	81	81	0
Agency Total	8,195	969	9,164	6,490	2,674
Ethics Commission					
1 Duties	411	0	411	403	8
11 FY-03 C/O- Duties	0	6	6	6	0
Agency Total	411	6	417	409	8
Merit Protection Commission					
1 Duties	505	0	505	496	9
11 FY-03 C/O- Duties	0	20	20	20	0
Agency Total	505	20	525	516	9
State Auditor and Inspector					
1 Duties	4,772	0	4,772	4,772	0
2 County Govt Pers Educ & Trng	455	0	455	455	0
11 FY-03 C/O- Duties	0	61	61	61	0
12 FY-03 C/O- Cty Govt	0	6	6	6	0
13 FY-03 C/O- Cty Comput	0	0	0	0	0
Agency Total	5,227	67	5,294	5,294	0
Governor					
1 Personal Svcs, Op Expenses	2,478	0	2,478	1,956	522
11 FY-03 C/O- Duties	0	429	429	429	0
12 FY-03 C/O- Sec of Ed	0	102	102	102	0
13 FY-03 C/O- Sec Vets	0	1	1	1	0
14 FY-03 C/O- Mansion	0	1	1	1	0
Agency Total	2,478	533	3,011	2,489	522
Native American Cultural Center					
11 FY-03 C/O- Duties (1)	0	4	4	4	0
Agency Total	0	4	4	4	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Lieutenant Governor					
1 Duties	467	0	467	398	69
11 FY-03 C/O- Duties	0	111	111	111	0
Agency Total	467	111	578	509	69
Office of Personnel Management					
1 Duties	4,603	0	4,603	4,489	114
11 FY-03 C/O- Duties	0	178	178	178	0
12 FY-03 C/O- Stat Wom	0	12	12	12	0
Agency Total	4,603	190	4,793	4,679	114
Department of Central Services					
1 Duties	7,739	0	7,739	6,120	1,619
1 Bldg & Fac Revolving (1)	2,500	0	2,500	2,500	0
1 Manville & Asbestos Abatement	1,158	0	1,158	442	716
2 Veterans Memorial	4	0	4	3	1
3 Maintenance of the Hissom Center	151	0	151	135	16
4 Bldg & Fac Revolving (1)	495	0	495	495	0
11 FY-03 C/O- Man Asbes	0	913	913	852	61
11 FY-03 C/O- Duties	0	1,215	1,215	1,215	0
12 FY-03 C/O- Build and Fac Fund (1)	0	40	40	40	0
13 FY-03 C/O- Veterans Memorial	0	1	1	1	0
14 FY-03 C/O- Hissom	0	47	47	47	0
Agency Total	12,047	2,216	14,263	11,850	2,413
State Bond Advisor					
1 Duties	164	0	164	164	0
Agency Total	164	0	164	164	0
Secretary of State					
1 Duties	429	0	429	429	0
11 FY-03 C/O- Duties	0	6	6	6	0
Agency Total	429	6	435	435	0
Council on Judicial Complaints					
1 Duties	268	0	268	246	22
11 FY-03 C/O- Duties	0	27	27	27	0
Agency Total	268	27	295	273	22

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Oklahoma Tax Commission					
30 Duties	43,603	0	43,603	43,425	178
31 Expand Fed Refund Offset Program	340	0	340	340	0
32 Auditor and Inspector Audits	159	0	159	159	0
33 Enhance Gross Prod-Rev Forecasting	500	0	500	0	500
1 FY- 04 Supplemental - Duties	0	7,049	7,049	2,405	4,644
Agency Total	44,602	7,049	51,651	46,329	5,322
State Treasurer					
1 Duties	4,280	0	4,280	3,820	460
2 State Land Reimbursement (1)	98	0	98	98	0
Agency Total	4,378	0	4,378	3,918	460
General Government Total	125,863	13,708	139,571	125,513	14,058

HEALTH SERVICES

Department of Health

1 Duties	46,112	0	46,112	44,890	1,222
1 Duties -FY- 04 Supplemental	0	114	114	0	114
4 Margaret Hudson Program	34	0	34	34	0
5 Community Health Centers	157	0	157	157	0
6 Southeast Area Health Center	157	0	157	143	14
7 Morton Comprehensive Health Serv	366	0	366	366	0
8 Sickie Cell Research Foundation	179	0	179	179	0
9 Emerson Teen Parent Program	107	0	107	107	0
10 Alzheimer's Res Advisory Council	44	0	44	41	3
11 Tolliver Alternative Care Center, Inc.	37	0	37	37	0
12 Child Abuse Prevention (1)	2,686	0	2,686	2,686	0
14 Central Oklahoma Family Med Center	179	0	179	134	45
15 Dental Serv for the Disabled/Elderly	137	0	137	137	0
19 High-risk perinatal direct services	2,254	0	2,254	2,174	80
20 Perinatal continuing education	209	0	209	209	0
21 Perinatal demonstration project	56	0	56	53	3
23 Kidney Health (1)	114	0	114	114	0
25 Oklahoma City Indian Clinic	59	0	59	59	0
30 OEDA for Advantage services	19	0	19	19	0
42 Greenwood Ed & Cultural Center	119	0	119	119	0
43 College of Osteo Med Area Hlth Ed	365	0	365	365	0
44 Metropolitan Tulsa Urban League, Inc.	36	0	36	33	3
45 North Tulsa Heritage Foundation, Inc.	36	0	36	36	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
46 Dunjee All-School Association, Inc.	79	0	79	79	0
47 OUHSC Pediatric Endocrinology Dept	93	0	93	93	0
48 Alzheimer's Association, OK Chapter	8	0	8	8	0
49 Indian Health Care Resources-Tulsa	8	0	8	8	0
60 FY-03 C/O- Duties	0	712	712	682	30
Agency Total	53,650	826	54,476	52,962	1,514
Mental Health and Substance Abuse					
1 Duties (2)	143,808	0	143,808	141,927	1,881
11 FY-03 C/O- Duties	0	4,924	4,924	4,924	0
Agency Total	143,808	4,924	148,732	146,851	1,881
Health Services Total	197,458	5,750	203,208	199,813	3,395
LEGAL AND JUDICIARY					
Indigent Defense System					
1 Duties (2)	14,244	0	14,244	13,652	592
11 FY-03 C/O- Duties	0	478	478	478	0
11 FY-03 C/O- Conf Coun	0	245	245	245	0
12 FY-03 C/O- Forensic (1)	0	7	7	7	0
14 FY-03 C/O- Duties	0	78	78	78	0
32 FY-03 C/O- Duties	0	597	597	597	0
Agency Total	14,244	1,405	15,649	15,057	592
Attorney General					
1 Duties	5,795	0	5,795	5,726	69
11 FY-03 C/O- Duties	0	147	147	146	1
Agency Total	5,795	147	5,942	5,872	70
Court of Criminal Appeals					
1 Duties	2,634	0	2,634	2,537	97
11 FY-03 C/O- Duties	0	62	62	62	0
Agency Total	2,634	62	2,696	2,599	97
District Courts					
1 Duties	8,239	0	8,239	7,801	438
1 Duties (2)	29,887	0	29,887	29,886	1
1 Duties	1,000	0	1,000	1,000	0
2 Duties	1,771	0	1,771	1,771	0

GENERAL FUND					
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
11 FY-03 C/O- Duties	0	506	506	506	0
11 FY-03 C/O- Duties	0	400	400	397	3
Agency Total	40,897	906	41,803	41,361	442

District Attorneys Council

1 Duties (2)	25,972	0	25,972	25,721	251
11 FY-03 C/O- Duties	0	885	885	885	0
Agency Total	25,972	885	26,857	26,606	251

Workers Compensation Court

1 Duties	3,692	0	3,692	3,692	0
11 FY-03 C/O- Duties	0	48	48	48	0
Agency Total	3,692	48	3,740	3,740	0

Supreme Court

1 Duties	10,298	0	10,298	9,861	437
2 Legal Svcs Revolving (1)	765	0	765	765	0
3 Supreme Court Revolving Fund (1)	900	0	900	900	0
11 FY-03 C/O- Duties	0	575	575	575	0
12 FY-03 C/O- Fund 225 (1)	0	10	10	9	1
13 FY-03 C/O- Fund 205 (1)	0	10	10	10	0
Agency Total	11,963	595	12,558	12,120	438

Legal and Judiciary Total	105,197	4,048	109,245	107,355	1,890
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MUSEUMS

Oklahoma Capitol Complex & Centennial Commission

1 Duties	527	0	527	524	3
11 FY-03 C/O- Duties	0	7	7	7	0
Agency Total	527	7	534	531	3

J.M. Davis Memorial Commission

1 Duties	300	0	300	300	0
11 FY-03 C/O- Duties	0	4	4	4	0
Agency Total	300	4	304	304	0

Historical Society

1 Duties	8,536	0	8,536	8,328	208
11 FY-03 C/O- Duties	0	131	131	131	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
12 FY-03 C/O- Tulsa Race Riot Fd (1)	0	8	8	8	0
13 FY-03 C/O- Gov Bust	0	0	0	0	0
14 FY-03 C/O- Cap Pub	0	0	0	0	0
Agency Total	8,536	139	8,675	8,467	208
Will Rogers Memorial Commission					
1 Duties	793	0	793	793	0
11 FY-03 C/O- Duties	0	63	63	63	0
Agency Total	793	63	856	856	0
Museums Total	10,156	213	10,369	10,158	211
NATURAL RESOURCES					
Department of Agriculture					
1 Duties	17,437	0	17,437	17,277	160
2 Rural Fire Defense Equip (1)	5	0	5	5	0
3 Vol Firefighter Grp Ins CompSource	169	0	169	169	0
11 FY-03 C/O- Duties	0	282	282	282	0
19 Duties	5,000	0	5,000	5,000	0
Agency Total	22,611	282	22,893	22,733	160
Department of Environmental Quality					
1 Duties	5,929	0	5,929	5,825	104
11 FY-03 C/O- Duties	0	192	192	192	0
Agency Total	5,929	192	6,121	6,017	104
Department of Tourism and Recreation					
1 Duties	22,616	0	22,616	22,163	453
11 FY-03 C/O- Duties	0	1,408	1,408	1,335	73
23 FY-03 C/O- Duties	0	309	309	309	0
Agency Total	22,616	1,717	24,333	23,807	526
Scenic Rivers Commission					
1 Duties (1)	258	0	258	258	0
FY-03 C/O- Duties (1)	0	4	4	4	0
Agency Total	258	4	262	262	0

GENERAL FUND					
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Conservation Commission					
1 Duties	6,221	0	6,221	6,098	123
11 FY-03 C/O- Duties	0	83	83	83	0
Agency Total	6,221	83	6,304	6,181	123
Water Resources Board					
1 Duties	3,858	0	3,858	3,757	101
2 REAP (1)	2,200	0	2,200	2,200	0
3 Contract Svcs Rural Water Assoc	170	0	170	162	8
11 FY-03 C/O- Duties	0	139	139	139	0
12 FY-03 C/O- REAP (1)	0	48	48	48	0
13 FY-03 C/O- Rural Water	0	3	3	3	0
Agency Total	6,228	190	6,418	6,309	109
Natural Resources Total	63,863	2,468	66,331	65,309	1,022
PUBLIC SAFETY AND DEFENSE					
Oklahoma Military Department					
1 Duties	7,021	0	7,021	6,765	256
11 FY-03 C/O- Duties	0	313	313	312	1
Agency Total	7,021	313	7,334	7,077	257
Alcoholic Beverage Laws Enforcement					
1 Duties	3,432	0	3,432	3,432	0
11 FY-03 C/O- Duties	0	46	46	46	0
Agency Total	3,432	46	3,478	3,478	0
Department of Corrections					
30 Duties	373,932	0	373,932	367,305	6,627
1 FY-2004 Supplemental - Duties	0	5,000	5,000	5,000	0
35 FY-03 C/O- Duties	0	5,950	5,950	5,950	0
Agency Total	373,932	10,950	384,882	378,255	6,627
Pardon and Parole Board					
1 Duties	2,115	0	2,115	2,115	0
11 FY-03 C/O- Duties	0	64	64	64	0
Agency Total	2,115	64	2,179	2,179	0

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
State Bureau of Investigation					
1 Duties	9,191	0	9,191	9,188	3
1 Duties - Oil Field Investigations	250	0	250	238	12
11 FY-03 C/O- Duties	0	123	123	121	2
Agency Total	9,441	123	9,564	9,547	17
Department of Civil Emergency					
1 Duties	666	0	666	659	7
11 FY-03 C/O- Duties	0	21	21	21	0
Agency Total	666	21	687	680	7
State Fire Marshal					
1 Duties	1,504	1	1,505	1,500	5
11 FY-03 C/O- Duties	0	26	26	22	4
Agency Total	1,504	27	1,531	1,522	9
Board of Medicolegal Investigation					
1 Duties	3,258	0	3,258	3,257	1
11 FY-03 C/O- Duties	0	45	45	45	0
1 FY-04 Supplemental	0	100	100	0	100
Agency Total	3,258	145	3,403	3,302	101
Council on Law Enforcement, Education and Training					
1 Duties	297	0	297	293	4
1 Duties	1,863	0	1,863	1,827	36
2 Duties	489	0	489	489	0
11 FY-03 C/O- Duties	0	35	35	35	0
11 FY-03 C/O- Duties	0	8	8	8	0
Agency Total	2,649	43	2,692	2,652	40
Bureau of Narcotics and Dangerous Drugs					
1 Duties	4,860	0	4,860	4,834	26
11 FY-03 C/O- Duties	0	173	173	173	0
Agency Total	4,860	173	5,033	5,007	26
Department of Public Safety					
1 Duties	60,320	0	60,320	59,087	1,233
1 Duties	584	0	584	584	0
2 Cap Patrol Officer-Workers Comp	26	0	26	26	0

GENERAL FUND					
	BUDGET				
	ORIGINAL	AMENDMENTS	FINAL	ACTUAL	VARIANCE
4 Duties-Capitol Complex Security	1,500	0	1,500	1,441	59
11 FY-03 C/O- Duties	0	795	795	769	26
12 FY-03 C/O- Capitol Patrol	0	0	0	0	0
Agency Total	62,430	795	63,225	61,907	1,318
Public Safety and Defense Totals	471,308	12,700	484,008	475,606	8,402
REGULATORY SERVICES					
State Banking Department					
11 FY-03 C/O- Duties	0	36	36	36	0
Agency Total	0	36	36	36	0
Department of Mines					
1 Duties	472	0	472	472	0
3 Duties	250	0	250	250	0
11 FY-03 C/O- Duties	0	7	7	0	7
Agency Total	722	7	729	722	7
Corporation Commission					
1 Duties	4,737	0	4,737	4,696	41
11 FY-03 C/O- Duties	0	111	111	108	3
Agency Total	4,737	111	4,848	4,804	44
Oklahoma Horse Racing Commission					
1 Duties (2)	1,762	0	1,762	1,636	126
11 FY-03 C/O- Duties	0	244	244	233	11
Agency Total	1,762	244	2,006	1,869	137
Insurance Department					
1 Duties	2,072	0	2,072	2,066	6
11 FY-03 C/O- Duties	0	59	59	46	13
Agency Total	2,072	59	2,131	2,112	19
Department of Labor					
1 Duties	1,355	0	1,355	1,325	30
1 Duties	1,504	0	1,504	1,406	98
2 Duties	99	0	99	99	0
11 FY-03 C/O- Duties	0	90	90	90	0
11 FY-03 C/O- Duties	0	74	74	74	0
Agency Total	2,958	164	3,122	2,994	128

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Liquefied Petroleum Gas Board					
11 FY-03 C/O- Duties	0	5	5	5	0
Agency Total	0	5	5	5	0
Oklahoma Securities Commission					
1 Duties	501	0	501	501	0
11 FY-03 C/O- Duties	0	8	8	8	0
Agency Total	501	8	509	509	0
Commission on Consumer Credit					
1 Duties	603	0	603	602	1
11 FY-03 C/O- Duties	0	8	8	8	0
Agency Total	603	8	611	610	1
Regulatory Services Total	13,355	642	13,997	13,661	336
SOCIAL SERVICES					
Commission on Children and Youth					
10 Duties	1,550	0	1,550	1,419	131
40 FY-03 C/O- Duties	0	337	337	229	108
Agency Total	1,550	337	1,887	1,648	239
Office of Handicapped Concerns					
1 Duties	356	0	356	346	10
11 FY-03 C/O- Duties	0	4	4	4	0
Agency Total	356	4	360	350	10
Oklahoma Human Rights Commission					
10 Duties	650	0	650	619	31
20 FY-03 C/O- Duties	0	32	32	32	0
Agency Total	650	32	682	651	31
Oklahoma Indian Affairs Commission					
10 Duties (2)	244	0	244	212	32
20 FY-03 C/O- Duties	0	63	63	63	0
Agency Total	244	63	307	275	32

GENERAL FUND					
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
Office of Juvenile Affairs					
1 Duties	90,000	0	90,000	89,342	658
11 FY-03 C/O- Duties	0	1,696	1,696	1,674	22
Agency Total	90,000	1,696	91,696	91,016	680
Department of Veteran Affairs					
1 Duties	24,943	0	24,943	24,851	92
2 Lawton Veterans Center	2,000	0	2,000	1,983	17
11 FY-03 C/O- Duties	0	305	305	305	0
Agency Total	26,943	305	27,248	27,139	109
Department of Human Services					
1 Duties (1)	370,115	0	370,115	370,115	0
11 Duties (1)	0	3,905	3,905	3,905	0
Agency Total	370,115	3,905	374,020	374,020	0
J.D. McCarty Center					
10 Duties	2,458	0	2,458	2,253	205
20 FY-03 C/O- Duties	0	34	34	32	2
1 FY-2004 Supplemental	0	300	300	299	1
Agency Total	2,458	334	2,792	2,584	208
Department of Rehabilitative Services					
	0	0	0	0	0
1 Duties (1)	24,750	0	24,750	24,750	0
11 FY-03 C/O- Duties (1)	0	292	292	292	0
Agency Total	24,750	292	25,042	25,042	0
Health Care Authority					
1 Duties (1)	414,000	0	414,000	414,000	0
4 Duties (1)	15,000	0	15,000	15,000	0
11 FY-03 C/O- Duties (1)	0	4,227	4,227	4,227	0
Agency Total	429,000	4,227	433,227	433,227	0
Social Services Total	946,066	11,195	957,261	955,952	1,309

(continued)

Schedule of Expenditures and Intra-Agency Transfers-Detail
 Budget to Actual Comparison (Non-GAAP Budgetary Basis)
 General Fund
 For the Fiscal Year Ended June 30, 2004
 (expressed in thousands)
 (continued)

	GENERAL FUND				
	ORIGINAL	BUDGET AMENDMENTS	FINAL	ACTUAL	VARIANCE
TRANSPORTATION					
Department of Transportation					
1 To Highway Const Maint Fd (1)	176,167	0	176,167	176,167	0
2 To Highway Const Maint Fd (1)	14,118	0	14,118	14,118	0
3 To Public Transit Fund (1)	1,900	0	1,900	1,900	0
11 FY-03 C/O- Duties (1)	0	380	380	380	0
Agency Total	192,185	380	192,565	192,565	0
Oklahoma Space Industry Development Auth.					
1 To Space Industry Rev Fund (1)	516	0	516	516	0
11 FY-03 C/O- Duties	0	11	11	11	0
Agency Total	0	11	527	527	0
Transportation Total	192,701	391	193,092	193,092	0
General Fund Total	<u>\$ 3,679,426</u>	<u>\$ 96,443</u>	<u>\$ 3,775,869</u>	<u>\$ 3,736,525</u>	<u>\$ 39,344</u>

(1) Appropriation was transferred to a continuing fund for expenditure.

(2) Part of the appropriation was transferred to a continuing fund for expenditure.



Combining Financial Statements

Combining Financial Statements

FIDUCIARY FUNDS AND SIMILAR COMPONENT UNITS

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental organizations, and/or other funds.

PENSION TRUST FUNDS

The Pension Trust Funds account for the transactions, assets, liabilities, and net assets held in a trustee capacity for the benefit of the Plan members.

WILDLIFE CONSERVATION RETIREMENT PLAN

This Plan is part of the primary government. The Plan accounts for transactions, assets, liabilities, and net assets available for payment of plan benefits to employees of the Department of Wildlife Conservation.

The State of Oklahoma has six Public Employee Retirement Systems (PERS) that meet the definition of a component unit, but are presented with the fiduciary funds of the State:

OKLAHOMA FIREFIGHTERS PENSION AND RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105
The System provides retirement benefits for municipal firefighters in the State of Oklahoma.

OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

4545 N. Lincoln Blvd., Suite 257, Oklahoma City, Oklahoma 73105
The System provides retirement benefits for qualified law enforcement officers in the State of Oklahoma.

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

6601 N. Broadway Ext., Suite 129, Oklahoma City, Oklahoma 73152
The System administers the Oklahoma Public Employee Retirement Plan, which provides retirement benefits for state, county and local employees in the State of Oklahoma.

UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES

6601 N. Broadway Ext., Suite 129, Oklahoma City, Oklahoma 73152
The System provides retirement benefits for justices and judges in the State of Oklahoma.

OKLAHOMA POLICE PENSION AND RETIREMENT SYSTEM

1001 N.W. 63rd Street, Suite 305, Oklahoma City, Oklahoma 73116
The System provides retirement benefits for police officers employed by participating municipalities in the State of Oklahoma.

TEACHER'S RETIREMENT SYSTEM OF OKLAHOMA

P.O. Box 53524, Oklahoma City, Oklahoma 73105
The System provides retirement allowances and benefits for qualified persons employed by state-supported educational institutions in the State of Oklahoma.

AGENCY FUNDS

Agency Funds account for the receipt and disbursement of various moneys and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units, organizations, or individuals.

Taxes Held for Outside Entities is maintained by the Oklahoma Tax Commission to account for taxes: (1) being held for distribution to county and city governments, (2) to cover anticipated tax refunds, (3) paid conditionally on an increase in gross value of oil and/or gas sold by a producer waiting on approval or settlement of an appeal, and (4) that have been intercepted by the Tax Commission to be disbursed to claimants.

Funds Held in Escrow are moneys held in an account until certain conditions or requirements are met. These include: (1) Cash Performance Bonds maintained by the Department of Mines until mining is complete and reclamation meets specifications, (2) Unlocated Mineral Owner's Fund maintained by the Corporation Commission as an escrow account for royalties due unlocated owners, (3) Workers' Compensation Claims Under Appeal contains money being held in trust for an injured worker whose claim is on appeal. This fund is maintained by the Workers' Compensation Court, (4) Unsettled Premium Tax Suits is an escrow account being maintained by the Oklahoma Insurance Department for the purpose of depositing protested taxes and/or fees imposed under Oklahoma law, (5) Other moneys accounted for by the State Department of Health for bond requirements for disposal sites, by the Department of Public Safety for the retention and refund of financial responsibility security amounts and sign deposits for motor vehicle inspection stations, (6) Money held in escrow by the Attorney General's Office for funds received as a result of litigation.

Assets Held for Beneficiaries are moneys maintained for: (1) clients in institutions under the jurisdiction of the Office of Juvenile Affairs (OJA), Department of Human Services (DHS), the Department of Corrections (DOC), the Department of Veterans Affairs, and the Department of Mental Health, (2) DHS custodial parents from the collection from absent parents, and (3) DHS clients placed in agency custody.

Other is moneys accounted for (1) by the Employees' Benefit Council for payment of employee claims against SoonerFlex flexible spending accounts, (2) property distribution maintained by the Department of Central Services to account for federal surplus property transferred to the State's custody to be sold or donated to other governmental entities and/or specified nonprofit organizations and property seized by state organizations pending the outcome of legal proceedings, (3) deposits held by the Department of Central Services for bid process documents, (4) donations held by the District Attorney's Council for the Murrah Crime Victims Compensation Fund, and (5) funds held by the Department of Transportation which had accrued to its former health insurance rate stabilization account and being returned to the accounts contributors.

Combining Statement of Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
June 30, 2004
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total
Assets								
Cash/Cash Equivalents	\$ 0	\$ 32,074	\$ 9,257	\$ 20,670	\$ 1,047	\$ 11,576	\$ 520,946	\$ 595,570
Investments, at fair value								
Equity Securities	0	831,288	370,685	1,095,405	146	637,218	4,922,279	7,857,021
Governmental Securities	0	206,833	40,614	1,687,021	70,836	37,153	1,099,142	3,141,599
Mutual Funds	50,735	0	0	1,978,380	99,938	0	0	2,129,053
Debt Securities	0	227,275	132,742	556,089	25,335	260,821	527,092	1,729,354
Other Investments	0	50,035	39,314	25,700	862	369,955	0	485,866
Securities Lending Investments	0	95,658	77,727	577,979	25,729	67,617	1,377,874	2,222,584
Interest and Investment Revenue Receivable	0	1,218	1,551	19,484	834	2,759	19,630	45,476
Contributions Receivable:								
Employer	0	502	0	2,845	38	1,006	16,164	20,555
Employee	0	273	0	1,112	136	567	16,418	18,506
Other Contributions Receivable	0	0	1,619	0	0	0	14,757	16,376
Other Receivables	0	127	205	0	61	0	0	393
Due from Brokers	0	2,757	0	217,042	8,834	0	39,101	267,734
Capital Assets, Net	0	63	75	329	0	0	287	754
Other Assets	0	0	0	315	0	0	0	315
Total Assets	50,735	1,448,103	673,789	6,182,371	233,796	1,388,672	8,553,690	18,531,156
Liabilities								
Accounts Payable	0	1,240	716	0	0	753	0	2,709
Securities Lending Payable	0	95,658	77,727	577,979	25,729	67,617	1,377,874	2,222,584
Due to Brokers	0	5,582	2,221	477,913	16,287	966	162,859	665,828
Due to Other Funds	0	6	0	61	0	7	1	75
Due to Component Units	0	0	0	0	0	0	9,256	9,256
Benefits in the Process of Payment	0	0	14,634	0	0	30,804	45,168	90,606
Other Liabilities	0	60	0	0	0	0	6,755	6,815
Total Liabilities	0	102,546	95,298	1,055,953	42,016	100,147	1,601,913	2,997,873
Fund Balance Reserved for Employees' Pension Benefits	\$ 50,735	\$ 1,345,557	\$ 578,491	\$ 5,126,418	\$ 191,780	\$ 1,288,525	\$ 6,951,777	\$ 15,533,283

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds (Including Similar Component Units)
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	Primary Government	Fiduciary Component Units						
	Wildlife Conservation Retirement Plan	Oklahoma Firefighters Pension and Retirement System	Oklahoma Law Enforcement Retirement System	Oklahoma Public Employees Retirement System	Uniform Retirement System for Justices and Judges	Oklahoma Police Pension and Retirement System	Teachers' Retirement System of Oklahoma	Total
Additions								
Contributions								
Employer Contributions	\$ 1,200	\$ 24,397	\$ 5,284	\$ 133,523	\$ 1,773	\$ 23,915	\$ 219,126	\$ 409,218
Employee Contributions	372	12,965	3,752	48,470	486	13,412	238,313	317,770
Other Contributions	0	0	8,100	0	0	0	156,143	164,243
Total Contributions	1,572	37,362	17,136	181,993	2,259	37,327	613,582	891,231
Investment Income								
Net Appreciation in Fair Value of Investments	5,021	154,955	70,837	536,405	16,783	164,862	1,048,928	1,997,791
Interest and Investment Revenue	0	14,110	15,573	110,896	4,034	19,243	161,448	325,304
	5,021	169,065	86,410	647,301	20,817	184,105	1,210,376	2,323,095
Less Investment Expenses	0	7,116	3,264	10,812	300	9,143	32,038	62,673
Net Investment Income	5,021	161,949	83,146	636,489	20,517	174,962	1,178,338	2,260,422
Total Additions	6,593	199,311	100,282	818,482	22,776	212,289	1,791,920	3,151,653
Deductions								
Administrative and General Expenses	305	1,052	743	3,493	83	2,227	3,851	11,754
Benefit Payments and Refunds	1,899	100,106	34,968	307,634	6,560	74,492	699,605	1,225,264
Total Deductions	2,204	101,158	35,711	311,127	6,643	76,719	703,456	1,237,018
Net Increase	4,389	98,153	64,571	507,355	16,133	135,570	1,088,464	1,914,635
Fund Balance Reserved for Employees' Pension Benefits								
Beginning of Year	46,346	1,247,404	513,920	4,619,063	175,647	1,152,955	5,863,313	13,618,648
End of Year	\$ 50,735	\$ 1,345,557	\$ 578,491	\$ 5,126,418	\$ 191,780	\$ 1,288,525	\$ 6,951,777	\$ 15,533,283

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2004
(expressed in thousands)

	Taxes Held For Outside Entities	Funds Held In Escrow	Assets Held For Beneficiaries	Other	Total
Assets					
Cash/Cash Equivalents	\$ 131,029	\$ 8,603	\$ 22,841	\$ 15,921	\$ 178,394
Accounts Receivable	0	0	17	37	54
Interest Receivable	0	0	1	0	1
Due from Other Funds	0	0	0	1,173	1,173
Due from Component Units	0	0	0	0	0
Inventory	0	0	0	3,730	3,730
Total Assets	<u>\$ 131,029</u>	<u>\$ 8,603</u>	<u>\$ 22,859</u>	<u>\$ 20,861</u>	<u>\$ 183,352</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 0	\$ 15	\$ 898	\$ 0	\$ 913
Tax Refunds Payable	6,282	0	0	0	6,282
Due to Other Funds	5	23	1	0	29
Due to Component Units	0	0	0	8,703	8,703
Due to Others	124,742	8,565	21,960	12,158	167,425
Total Liabilities	<u>\$ 131,029</u>	<u>\$ 8,603</u>	<u>\$ 22,859</u>	<u>\$ 20,861</u>	<u>\$ 183,352</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Taxes Held for Outside Entities				
Assets				
Cash/Cash Equivalents	\$ 138,546	\$ 3,321,609	\$ 3,329,126	\$ 131,029
Interest Receivable	73	0	73	0
Total Assets	<u>\$ 138,619</u>	<u>\$ 3,321,609</u>	<u>\$ 3,329,199</u>	<u>\$ 131,029</u>
Liabilities				
Tax Refunds Payable	\$ 2,775	\$ 6,282	\$ 2,775	\$ 6,282
Due to Other Funds	1	5	1	5
Due to Others	135,843	3,315,322	3,326,423	124,742
Total Liabilities	<u>\$ 138,619</u>	<u>\$ 3,321,609</u>	<u>\$ 3,329,199</u>	<u>\$ 131,029</u>
Funds Held in Escrow				
Assets				
Cash/Cash Equivalents	\$ 15,193	\$ 3,418	\$ 10,008	\$ 8,603
Accounts Receivable	76	0	76	0
Interest Receivable	3	0	3	0
Total Assets	<u>\$ 15,272</u>	<u>\$ 3,418</u>	<u>\$ 10,087</u>	<u>\$ 8,603</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 20	\$ 15	\$ 20	\$ 15
Due to Other Funds	27	23	27	23
Due to Others	15,225	3,380	10,040	8,565
Total Liabilities	<u>\$ 15,272</u>	<u>\$ 3,418</u>	<u>\$ 10,087</u>	<u>\$ 8,603</u>
Assets Held for Beneficiaries				
Assets				
Cash/Cash Equivalents	\$ 20,591	\$ 232,913	\$ 230,663	\$ 22,841
Accounts Receivable	18	17	18	17
Interest Receivable	9	1	9	1
Total Assets	<u>\$ 20,618</u>	<u>\$ 232,931</u>	<u>\$ 230,690</u>	<u>\$ 22,859</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,059	\$ 898	\$ 1,059	\$ 898
Due to Other Funds	2	1	2	1
Due to Others	19,557	232,032	229,629	21,960
Total Liabilities	<u>\$ 20,618</u>	<u>\$ 232,931</u>	<u>\$ 230,690</u>	<u>\$ 22,859</u>
Other				
Assets				
Cash/Cash Equivalents	\$ 12,622	\$ 226,059	\$ 222,760	\$ 15,921
Accounts Receivable	71	37	71	37
Due from Other Funds	535	1,173	535	1,173
Due from Component Units	324	0	324	0
Inventory	3,570	3,997	3,837	3,730
Total Assets	<u>\$ 17,122</u>	<u>\$ 231,266</u>	<u>\$ 227,527</u>	<u>\$ 20,861</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 128	\$ 0	\$ 128	\$ 0
Due to Component Units	6,270	8,703	6,270	8,703
Due to Others	10,724	222,563	221,129	12,158
Total Liabilities	<u>\$ 17,122</u>	<u>\$ 231,266</u>	<u>\$ 227,527</u>	<u>\$ 20,861</u>
Total - All Agency Funds				
Assets				
Cash/Cash Equivalents	\$ 186,952	\$ 3,783,999	\$ 3,792,557	\$ 178,394
Accounts Receivable	165	54	165	54
Interest Receivable	85	1	85	1
Due from Other Funds	535	1,173	535	1,173
Due from Component Units	324	0	324	0
Inventory	3,570	3,997	3,837	3,730
Total Assets	<u>\$ 191,631</u>	<u>\$ 3,789,224</u>	<u>\$ 3,797,503</u>	<u>\$ 183,352</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 1,207	\$ 913	\$ 1,207	\$ 913
Tax Refunds Payable	2,775	6,282	2,775	6,282
Due to Other Funds	30	29	30	29
Due to Component Units	6,270	8,703	6,270	8,703
Due to Others	181,349	3,773,297	3,787,221	167,425
Total Liabilities	<u>\$ 191,631</u>	<u>\$ 3,789,224</u>	<u>\$ 3,797,503</u>	<u>\$ 183,352</u>

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NONMAJOR COMPONENT UNITS

The State of Oklahoma has eight nonmajor component units which are described below:

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY

P.O. Box 14190, Oklahoma City, Oklahoma 73113

The Authority provides educational television services to all Oklahoma citizens on a coordinated statewide basis.

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY

301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

The Authority assists with the State's industrial development by making loans to authorized industrial development agencies or trusts and new or expanding industries within Oklahoma. The loans are financed by issuance of general obligation bonds.

HEALTH INSURANCE HIGH RISK POOL

3814 N. Santa Fe, Oklahoma City, Oklahoma 73118

The Pool provides health insurance to individuals who are unable to obtain coverage from independent insurers. The Pool is financed by assessments levied on independent insurers.

MULTIPLE INJURY TRUST FUND

P.O. Box 528801, Oklahoma City, Oklahoma 73152

The Fund provides additional compensation to a worker with a pre-existing injury who suffers a second injury.

UNIVERSITY HOSPITALS AUTHORITY

940 N.E. 13th Street, Oklahoma City, Oklahoma 73104

The Authority consists of The University Hospital and Children's Hospital of Oklahoma. The University Hospital is affiliated with the University of Oklahoma Health Sciences Center. The University Hospital is financed primarily through patient service charges.

OKLAHOMA DEVELOPMENT FINANCE AUTHORITY

301 N.W. 63rd Street, Suite 225, Oklahoma City, Oklahoma 73116

The Authority provides financing for both public and private entities in the state. The Authority obtains funds through the issuance of bonds and notes.

OKLAHOMA CAPITAL INVESTMENT BOARD

301 N.W. 63rd Street, Suite 520, Oklahoma City, Oklahoma 73116

The Authority assists the State with industrial development by mobilizing equity and near-equity capital for investment to potential creation of jobs and growth that will diversify and stabilize the economy.

OKLAHOMA ENVIRONMENTAL FINANCE AUTHORITY

2809 N.W. Expressway, Suite 485, Oklahoma City, Oklahoma 73112

The Authority provides financing necessary or useful to abate, control, and reduce air and water pollution. The Authority obtains funds through the issuance of bonds and notes.

Combining Statement of Net Assets
NonMajor Component Units
June 30, 2004
(expressed in thousands)

	Oklahoma Educational Television Authority	Oklahoma Industrial Finance Authority	Health Insurance High Risk Pool	Multiple Injury Trust Fund	University Hospitals Authority	Oklahoma Development Finance Authority	Oklahoma Capital Investment Board	Oklahoma Environmental Finance Authority	Nonmajor Component Units Total
Assets									
Current Assets									
Cash/Cash Equivalents									
Unrestricted	\$ 10,464	\$ 5,052	\$ 3,129	\$ 27,758	\$ 50,193	\$ 4,337	\$ 26	\$ 2	\$ 100,961
Investments	26,331	0	0	0	38	6,005	0	40	32,414
Accounts Receivable	34	0	0	0	617	197	9,676	1	10,525
Interest and Investment									
Revenue Receivable	124	262	0	22	38	42	0	0	488
Other Receivables	187	0	0	0	1,000	0	0	0	1,187
Notes Receivable	0	2,388	0	0	0	344	3,500	0	6,232
Due from Other Component Units	0	0	0	0	68	78	0	0	146
Due from Primary Government	0	0	0	3,921	841	33	0	0	4,795
Prepaid Items	133	0	0	0	4	0	0	0	137
Other Current Assets	0	0	0	0	0	0	0	0	0
Total Current Assets	37,273	7,702	3,129	31,701	52,799	11,036	13,202	43	156,885
Noncurrent Assets									
Cash/Cash Equivalents -									
Restricted	63	218	0	0	236	0	0	0	517
Investments - Restricted	0	0	0	0	306	0	0	0	306
Long-Term Investments	0	30,724	0	0	0	0	0	0	30,724
Leases Receivable	0	0	0	0	0	0	0	1,003	1,003
Long-Term Notes Receivable, Net	0	22,320	0	0	0	2,413	0	0	24,733
Capital Assets									
Depreciable, Net	13,173	0	0	0	96,004	547	0	0	109,724
Land	26	0	0	0	4,009	100	0	0	4,135
Construction in Progress	25	0	0	0	449	0	0	0	474
Other Noncurrent Assets									
Unrestricted	0	901	0	0	20,049	150	0	0	21,100
Restricted	0	0	0	0	36	0	0	0	36
Total Noncurrent Assets	13,287	54,163	0	0	121,089	3,210	0	1,003	192,752
Total Assets	50,560	61,865	3,129	31,701	173,888	14,246	13,202	1,046	349,637
Liabilities									
Liabilities									
Current Liabilities									
Accounts Payable and									
Accrued Liabilities	203	3	0	44	15,554	29	6	0	15,839
Claims and Judgments	0	0	0	16,391	0	0	0	0	16,391
Interest Payable	0	542	0	28,974	0	0	0	5	29,521
Due to Fiduciary Funds	2	0	0	0	0	0	0	0	2
Due to Other Component Units	0	0	0	62	2,462	1	0	0	2,525
Due to Primary Government	0	0	0	0	22	0	0	0	22
Deferred Revenue	150	0	0	0	9	32	0	0	191
Capital Leases-Primary Govt.	0	0	0	0	208	0	0	0	208
Compensated Absences	148	57	0	0	65	0	0	0	270
Notes Payable	0	0	0	807	0	0	0	0	807
General Obligation Bonds	0	1,325	0	0	0	0	0	0	1,325
Total Current Liabilities	503	1,927	0	46,278	18,320	62	6	5	67,101
Noncurrent Liabilities									
Claims and Judgments	0	0	0	151,921	0	0	0	0	151,921
Capital Leases-Primary Govt.	0	0	0	0	1,043	0	0	0	1,043
Compensated Absences	92	0	0	0	0	0	0	0	92
Notes Payable	0	0	0	48,175	0	0	0	0	48,175
General Obligation Bonds	0	57,812	0	0	0	0	0	0	57,812
Revenue Bonds	0	0	0	0	0	9,999	0	998	10,997
Other Noncurrent Liabilities	229	0	0	0	638	323	0	0	1,190
Total Noncurrent Liabilities	321	57,812	0	200,096	1,681	10,322	0	998	271,230
Total Liabilities	824	59,739	0	246,374	20,001	10,384	6	1,003	338,331
Net Assets									
Invested in Capital Assets, Net of Related Debt	13,224	0	0	0	99,210	647	0	0	113,081
Restricted for:									
Debt Service	0	218	0	0	0	0	0	0	218
Other Special Purpose									
Expendable	36,163	0	0	0	579	0	0	0	36,742
Unrestricted	349	1,908	3,129	(214,673)	54,098	3,215	13,196	43	(138,735)
Total Net Assets	\$ 49,736	\$ 2,126	\$ 3,129	\$ (214,673)	\$ 153,887	\$ 3,862	\$ 13,196	\$ 43	\$ 11,306

Combining Statement of Activities
NonMajor Component Units
For the Fiscal Year Ended June 30, 2004
(expressed in thousands)

		Program Revenues			General Revenue											
		Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue	Payments from	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year							
						Primary Government										
Nonmajor Component Units:																
Oklahoma Educational Television Authority	\$	10,560	\$	6,113	\$	2,259	\$	(2,188)	\$	3,491	\$	1,303	\$	48,433	\$	49,736
Oklahoma Industrial Finance Authority		2,318		2,606		0		288		0		288		1,838		2,126
Health Insurance High Risk Pool		26,264		23,595		0		(2,669)		0		(2,669)		5,798		3,129
Multiple Injury Trust Fund		15,810		181		0		(15,629)		34,404		18,775		(233,448)		(214,673)
University Hospitals Authority		105,186		52,114		0		(53,072)		36,736		(16,336)		170,223		153,887
Oklahoma Development Finance Authority		728		989		0		261		0		261		3,601		3,862
Oklahoma Capital Investment Board		602		2,570		0		1,968		0		1,968		11,228		13,196
Oklahoma Environmental Finance Authority		63		60		0		(3)		0		(3)		46		43
Total Nonmajor Component Units	\$	161,531	\$	88,228	\$	2,259	\$	(71,044)	\$	74,631	\$	3,587	\$	7,719	\$	11,306

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Statistical Section

Statistical Section

STATISTICAL SECTION INDEX

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CASH RECEIPTS AND DISBURSEMENTS

(For all fund types combined)

by Category

For the Fiscal Years Ended June 30, 1995 through June 30, 2004

	2004	2003	2002	2001
Cash Receipts by Source:				
Taxes	\$ 6,379,116,783	\$ 5,729,407,203	\$ 5,859,784,415	\$ 6,145,443,871
Licenses, Permits, and Fees	295,708,224	267,883,902	252,981,801	237,576,563
Fines, Forfeits, and Penalties	41,700,668	34,504,625	24,635,815	17,004,143
Income from Money and Property	258,740,624	325,294,485	260,721,058	453,233,546
Grants, Refunds, and Reimbursements	5,681,919,030	5,138,229,130	4,755,862,461	4,213,179,041
Higher Education	330,974,931	291,474,483	248,439,099	201,838,621
Sales and Services	845,842,810	873,029,556	854,432,770	723,065,417
Non-Revenue Receipts	1,722,748,906	1,483,100,746	1,377,288,354	1,293,273,883
Total Collections	<u>\$ 15,556,751,976</u>	<u>\$ 14,142,924,130</u>	<u>\$ 13,634,145,773</u>	<u>\$ 13,284,615,085</u>
Disbursements by Function of Government:				
Education	\$ 5,531,990,488	\$ 5,180,868,964	\$ 5,184,275,451	\$ 5,516,804,948
General Government	386,123,856	368,428,594	458,713,887	451,379,922
Health Services	420,168,505	429,297,601	425,483,911	386,517,118
Legal and Judiciary	169,986,230	165,656,317	169,264,590	165,394,050
Museums	11,846,105	13,638,585	15,240,747	16,399,214
Natural Resources	260,610,295	279,176,375	254,295,348	248,147,079
Public Safety and Defense	622,112,082	722,061,490	878,882,790	805,888,852
Regulatory Services	124,440,291	134,735,990	114,539,564	96,722,146
Social Services	4,570,306,405	4,297,995,493	4,177,999,829	3,672,860,018
Transportation	1,015,807,954	1,086,692,070	1,104,715,966	1,057,623,518
Other Local Apportionments	70,562,955	53,462,107	63,298,435	63,068,799
Sinking Fund Payments on Bonded Debt	508,504,659	190,676,956	146,975,632	109,208,810
Total Disbursements	<u>\$ 13,692,459,825</u>	<u>\$ 12,922,690,542</u>	<u>\$ 12,993,686,150</u>	<u>\$ 12,590,014,474</u>

Prepared on a cash basis to aid in budgetary analysis.

For years prior to FY 97, cash basis numbers did not include amounts expended from Agency Special Accounts. These moneys were not subject to the State's regular budgeting and expenditure processes.

2000	1999	1998	1997	1996	1995
\$ 5,697,859,338	\$ 5,279,273,861	\$ 5,209,586,780	\$ 4,951,517,415	\$ 4,533,832,681	\$ 4,292,825,694
197,787,613	185,597,529	147,912,938	144,622,951	126,746,123	125,546,800
13,427,239	13,381,855	10,762,072	9,603,493	9,712,974	12,922,896
463,728,654	558,450,738	263,652,251	218,405,052	200,299,903	189,470,710
3,965,351,939	3,458,676,556	3,074,473,470	2,598,674,805	2,664,011,649	2,342,091,497
189,585,509	172,559,295	167,947,916	142,535,049	163,733,815	150,907,027
665,567,542	461,333,974	502,450,334	405,156,027	349,726,346	353,614,351
1,303,298,759	1,275,814,346	734,953,815	414,275,218	428,531,083	600,562,290
<u>\$ 12,496,606,593</u>	<u>\$ 11,405,088,154</u>	<u>\$ 10,111,739,576</u>	<u>\$ 8,884,790,010</u>	<u>\$ 8,476,594,574</u>	<u>\$ 8,067,941,265</u>
\$ 5,045,950,609	\$ 4,657,096,815	\$ 4,289,049,377	\$ 3,768,208,810	\$ 3,479,049,093	\$ 3,363,972,223
503,591,712	374,981,563	311,969,847	285,182,151	258,065,326	232,779,824
370,899,258	360,805,473	342,167,860	335,120,001	313,345,235	295,676,766
159,108,855	150,131,046	138,160,259	118,916,855	107,889,849	103,062,230
12,153,175	18,490,854	9,229,910	7,798,223	8,029,357	7,103,208
243,888,670	236,331,593	199,996,020	191,578,397	174,284,377	165,215,892
682,792,652	537,381,033	539,917,199	473,378,027	428,385,545	394,732,689
110,808,273	103,564,495	102,076,996	102,733,288	99,065,119	94,526,541
3,192,318,483	2,992,584,466	2,798,134,462	2,485,060,196	2,447,007,338	2,316,200,744
1,022,135,910	967,807,283	843,838,823	774,131,933	776,979,475	680,440,719
64,675,529	62,513,698	58,771,755	40,524,674	39,104,818	38,215,192
77,671,370	89,576,197	69,145,249	49,468,807	42,485,191	48,670,759
<u>\$ 11,485,994,496</u>	<u>\$ 10,551,264,516</u>	<u>\$ 9,702,457,757</u>	<u>\$ 8,632,101,362</u>	<u>\$ 8,173,690,723</u>	<u>\$ 7,740,596,787</u>

TAX COLLECTIONS

For the Fiscal Years Ended June 30, 1995 through June 30, 2004

Taxes	2004	2003	2002	2001
Aircraft Excise Tax	\$ 2,130,160	\$ 3,561,783	\$ 1,776,562	\$ 2,874,640
Alcoholic Beverage Excise Tax	25,032,825	24,025,186	22,954,801	22,759,675
Alternative Fuel Surcharge	-	-	-	19,980
Beverage Tax	24,003,209	23,866,102	24,003,394	23,344,420
Bingo Tax	4,978,884	6,184,991	6,406,385	6,426,011
Charity Games Tax	376,960	486,646	595,768	746,544
Cigarette Tax	40,475,363	50,346,995	50,089,760	53,278,812
City Use Tax - Collect/Deposit	567,686	454,259	470,287	543,789
Coin Operated Device Decal	3,925,921	3,830,917	5,247,168	2,590,670
Conservation Excise Tax	-	-	398,199	-
Diesel Fuel Excise Tax	83,245,595	81,089,139	82,333,046	82,257,020
Documentary Stamp Tax	12,047,669	10,304,768	9,510,796	9,132,733
Franchise Tax	41,660,448	41,854,891	42,568,053	41,048,957
Freight Car Tax	741,459	764,012	897,606	1,010,115
Fuels Excise Tax	-	-	-	-
Gasoline Excise Tax	302,366,783	295,106,890	299,103,325	289,717,498
Gross Production Tax - Oil and Gas	645,764,813	539,938,656	358,977,581	701,139,734
Income Tax (Corporate and Individual)	2,452,522,375	2,218,394,730	2,459,811,472	2,446,585,980
Inheritance and Estate Tax	111,145,361	74,927,778	85,975,591	84,806,372
Insurance Premium Tax	275,709,270	156,636,886	143,353,134	139,078,186
Mixed Beverage Gross Receipts Tax	19,384,468	18,434,327	17,771,371	15,890,005
Occupational Health and Safety Tax	1,796,126	1,563,901	1,446,943	1,361,660
OESC Computer Fund Assessment	-	-	-	-
Pari-Mutuel Taxes	2,799,509	2,687,696	3,043,649	3,656,244
Pari-Mutuel - Other Tax	22,390	21,350	33,594	47,146
Petroleum Excise Tax	9,286,470	8,012,472	5,481,024	9,931,903
Rural Electric Co-operative Tax	20,431,429	18,487,011	18,873,408	18,943,692
Sales Tax	1,496,365,797	1,404,275,613	1,443,513,940	1,441,969,864
Sales Tax - City	9,853,256	10,941,969	10,057,719	9,693,382
Sales Tax - County	1,538,470	1,123,179	1,157,739	1,085,283
Self-Insurance Premium Tax	-	-	-	-
Special Fuel Decal	272,297	297,866	331,592	391,918
Special Fuel Use Tax	37,152	152,939	34,089	35,792
Tag Agent Remittance Tax	572,966,808	540,300,580	574,041,603	583,443,087
Telephone Surcharge	904,408	1,196,625	1,043,594	1,094,612
Tobacco Products Tax	12,423,543	12,282,099	11,488,487	12,000,575
Tourism Gross Receipt Tax	4,742,439	4,289,009	4,762,814	4,247,288
Tribal Compact in Lieu of Tax Payments	10,579,504	9,468,712	9,922,702	8,378,506
Unclaimed Property Tax	39,408,944	27,678,270	34,260,561	9,316,354
Unclassified Tax Receipts	53,627	5,181	48,258	23,471
Use Tax	98,007,540	75,860,919	85,950,995	93,860,447
Vehicle Revenue Tax Stamps	45,275	44,847	47,167	45,459
Workers' Compensation Awards - Assessments	28,749,473	39,422,004	25,061,128	10,432,326
Workers' Compensation Insurance Premium Tax	6,325,844	5,572,798	5,666,869	4,798,611
Other Taxes	16,427,233	15,513,185	11,272,241	7,435,086
Total	\$ 6,379,116,783	\$ 5,729,407,181	\$ 5,859,784,415	\$ 6,145,443,847

Prepared on a cash basis to aid in budgetary analysis.

2000	1999	1998	1997	1996	1995
\$ -	\$ 289,157	\$ 1,756,312	\$ 2,453,179	\$ 1,681,776	\$ 1,853,999
22,257,132	21,084,824	21,077,364	20,987,501	20,845,359	20,211,389
41,335	60,811	148,311	166,328	182,018	133,284
23,745,437	23,862,270	22,458,552	22,588,694	22,978,605	22,461,075
7,140,436	7,619,106	9,807,638	12,289,463	12,359,983	11,816,705
793,283	811,912	785,001	1,138,144	1,196,451	1,039,031
56,893,148	57,585,123	59,029,445	59,748,356	60,527,991	58,332,155
536,426	413,222	444,099	377,102	346,360	295,570
4,525,674	5,990,538	3,775,631	2,436,631	3,814,318	3,404,098
-	10,664,825	-	-	75,193	873,542
87,393,807	77,379,390	69,061,184	66,156,283	76,058,267	62,902,742
9,043,443	8,985,127	7,844,930	6,885,045	6,604,360	5,961,293
41,383,006	36,929,956	42,131,950	37,983,444	36,264,543	36,721,223
923,602	977,251	973,689	1,051,553	970,565	1,515,736
-	-	36,000	539,333	1,494,378	1,460,982
297,503,359	281,505,198	283,082,667	280,344,427	263,258,712	267,138,186
386,974,956	206,621,486	333,773,839	398,743,724	315,549,773	301,524,689
2,328,650,691	2,257,760,243	2,107,857,522	1,918,772,165	1,700,792,804	1,592,915,946
87,510,064	88,796,014	81,385,630	80,513,845	67,881,873	68,789,242
127,982,702	118,589,471	121,582,595	113,819,384	108,625,507	103,957,280
14,887,167	13,993,406	13,366,577	12,618,051	12,018,242	11,395,625
1,472,712	1,462,275	1,783,346	1,797,088	1,895,164	1,819,752
-	411,740	19,473,028	-	-	-
4,091,260	4,328,186	4,743,674	3,744,615	3,312,299	3,151,651
27,648	37,586	39,075	27,753	66,363	129,878
5,630,909	3,583,533	4,722,738	5,306,110	4,279,030	4,072,789
14,537,845	14,802,050	14,037,824	13,758,308	13,401,177	13,154,486
1,351,844,381	1,292,153,052	1,245,355,208	1,193,727,537	1,135,594,213	1,076,970,533
9,276,726	9,223,985	8,456,320	8,071,662	7,792,195	7,360,330
932,079	845,115	892,807	771,848	615,674	632,306
-	-	-	-	-	88,739
407,115	436,048	462,007	497,380	558,653	594,524
59,639	58,782	63,764	94,774	92,598	136,419
645,340,468	571,984,678	582,199,329	541,334,368	516,519,709	490,213,416
1,080,869	1,054,221	1,058,214	1,006,694	997,902	951,735
11,910,948	11,794,863	11,072,673	11,198,865	11,256,079	11,303,560
3,997,956	3,901,958	3,744,091	3,466,923	3,077,388	2,978,677
8,060,703	8,381,324	7,484,832	6,888,623	6,172,567	4,829,309
9,873,481	17,495,526	6,120,039	4,465,704	10,116,730	5,760,279
-	-	-	-	-	98,332
89,828,413	83,727,678	82,939,748	78,877,952	66,388,592	59,630,927
47,195	45,507	43,837	45,005	44,800	41,592
28,355,873	20,151,923	21,415,556	22,677,854	23,386,339	20,129,038
4,591,448	4,837,972	5,503,954	6,037,222	7,245,625	7,042,702
8,305,981	8,636,529	7,595,780	8,108,478	7,492,506	7,030,928
<u>\$ 5,697,859,317</u>	<u>\$ 5,279,273,861</u>	<u>\$ 5,209,586,780</u>	<u>\$ 4,951,517,415</u>	<u>\$ 4,533,832,681</u>	<u>\$ 4,292,825,694</u>

GROSS SALES TAX BY INDUSTRY

For the Fiscal Year Ended June 30, 2004

Industry	Gross Sales Tax
General Merchandise Stores	\$ 300,119,189
Food Stores	168,208,663
Eating and Drinking Establishments	156,885,763
Wholesale Trade-Durable Goods	120,451,833
Miscellaneous Retail Stores	117,824,305
Building Materials, Hardware, Garden Supply, and Mobile Home Dealers	108,083,114
Communications	94,697,458
Furniture, Home Furnishings, and Equipment Stores	87,874,221
Automotive Dealers and Gasoline Service Stations	54,840,967
Business Services	47,991,082
Electric, Gas, and Sanitary Services	45,386,332
Apparel and Accessory Stores	43,536,703
Wholesale Trade-Nondurable Goods	24,907,654
Hotels, Rooming Houses, Camps, and Other Lodging Places	21,007,298
Automotive Services	18,023,204
Stone, Clay, Glass, and Concrete Products	12,991,488
Amusement and Recreation Services, except Motion Pictures	10,705,739
Non-Classifiable Establishments	10,481,607
Personal Services	9,609,124
Motion Pictures	8,664,741
Machinery, except Electrical	7,754,160
Fabricated Metal Products, except Machinery and Transportation Equipment	5,004,604
Printing, Publishing, and Allied Industries	4,096,148
Oil and Gas Extraction	3,947,349
Measuring, Analyzing, and Controlling Instruments	3,603,057
Petroleum Refining and Related Industries	2,527,625
Miscellaneous Repair Services	2,495,854
Lumber and Wood Products, except Furniture	2,422,260
Construction-Special Trade Contractors	1,772,779
Educational Services	1,583,876
Food and Kindred Products	1,486,876
Agricultural Services	1,346,410
Chemicals and Allied Products	1,195,963
Miscellaneous Manufacturing Industries	1,176,208
Furniture and Fixtures	1,021,962
Apparel and Other Finished Products made from Fabrics	927,716
Primary Metal Industries	912,124
Engineering, Architectural, and Surveying Services	904,966
Motor Freight Transportation & Warehousing	881,703
Transportation Equipment	861,472
Health Services	763,887
Security & Commodity Brokers, Dealers, Exchanges & Services	726,915
Membership Organizations	677,502
Credit Agencies other than Banks	663,018
Building Construction- Gen Contractors and Operative Builders	625,558
Electrical and Electronic Machinery, Equipment, and Supplies	600,733
Agricultural Production Crops	442,623
Mining and Quarrying of Nonmetallic Minerals, Exc Fuels	412,979
Rubber & Miscellaneous Plastics Products	383,559
Other Industries	1,850,186
Total	\$ 1,513,510,371

Source: Oklahoma Tax Commission

BANK DEPOSITS

for the Years 1994 through 2003

<u>Year</u>	<u># of Banks</u>	<u>\$ Amount of Deposits</u>
2003	274	35,212,149,000
2002	275	35,539,133,000
2001	284	35,164,442,000
2000	288	33,377,309,000
1999	302	31,001,952,000
1998	311	28,626,804,000
1997	320	27,782,228,000
1996	332	29,934,094,000
1995	342	28,686,783,000
1994	350	27,406,069,000

Source: Federal Reserve Bank of Kansas City

For statistics presented after June 1996, comparisons to the prior years should take into account the effects of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

ASSESSED VALUATIONS

For the Years 1995 through 2004

	2004	2003	2002	2001
Real Estate and Improvements	\$ 13,328,725,510	\$ 11,696,624,921	\$ 11,931,876,601	\$ 11,340,263,937
Personal Property Subject to Tax	3,385,439,522	3,163,106,699	3,090,322,203	2,886,537,179
Total Locally Assessed	16,714,165,032	14,859,731,620	15,022,198,804	14,226,801,116
Homestead Exemptions Allowed	773,083,291	733,316,182	773,872,255	763,469,848
Net Assessed Locally	15,941,081,741	14,126,415,438	14,248,326,549	13,463,331,268
Public Service Assessment	2,487,810,229	2,374,596,928	2,505,759,959	2,444,318,708
Net Assessed Valuation	\$ 18,428,891,970	\$ 16,501,012,366	\$ 16,754,086,508	\$ 15,907,649,976

Locally assessed property has been assessed at varying rates. This property is valued, assessed, and taxed locally. Public Service property is valued and assessed at a central state level, and taxed and collected at the local level. The rate of assessment varies by type of property.

Source: Oklahoma Tax Commission

NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT

Annual Average Number of Employees

For the Years 1994 through 2003

INDUSTRY GROUP	2003	2002	2001	2000
Natural Resources and Mining	28,900	28,000	28,900	27,000
Construction	62,900	64,500	66,100	61,800
Manufacturing	143,000	152,000	169,800	177,500
Wholesale Trade	54,600	56,700	56,700	57,100
Retail Trade	169,300	173,700	175,600	179,300
Transportation, Warehouse, Utilities	53,300	55,800	57,900	57,700
Information	32,000	35,700	37,000	35,600
Financial Activities	83,300	83,500	82,500	81,700
Professional and Business Services	156,000	160,900	166,200	164,800
Educational and Health Services	175,300	172,900	167,100	163,000
Leisure and Hospitality	126,100	127,300	127,200	126,100
Other Services	74,000	74,700	75,500	70,100
State Government	79,900	81,500	80,400	78,600
Local Government	167,400	167,800	166,700	161,200
Federal Government	44,700	46,200	46,200	47,900
Totals	1,450,700	1,481,200	1,503,800	1,489,400

Source: Oklahoma Employment Security Commission - Research and Planning Division

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2000	1999	1998	1997	1996	1995
\$ 10,722,526,412	\$ 10,076,211,556	\$ 9,547,705,065	\$ 9,134,059,265	\$ 8,738,449,049	\$ 8,395,607,977
2,720,503,512	2,555,384,708	2,448,630,626	2,301,719,971	2,086,267,080	2,057,628,937
13,443,029,924	12,631,596,264	11,996,335,691	11,435,779,236	10,824,716,129	10,453,236,914
761,529,031	756,613,438	752,780,195	742,096,539	717,109,228	715,229,658
12,681,500,893	11,874,982,826	11,243,555,496	10,693,682,697	10,107,606,901	9,738,007,256
2,144,840,285	2,122,948,816	2,009,118,864	2,066,005,099	2,063,227,985	2,023,137,118
<u>\$ 14,826,341,178</u>	<u>\$ 13,997,931,642</u>	<u>\$ 13,252,674,360</u>	<u>\$ 12,759,687,796</u>	<u>\$ 12,170,834,886</u>	<u>\$ 11,761,144,374</u>

1999	1998	1997	1996	1995	1994
26,600	30,000	30,600	29,800	30,400	31,100
59,300	55,700	52,300	51,800	50,300	48,400
177,300	175,600	168,900	162,900	161,500	158,800
56,900	56,100	54,000	52,800	52,000	50,300
174,900	172,600	167,200	162,800	159,900	155,200
57,400	59,600	57,700	56,700	54,300	54,300
32,900	31,700	30,000	27,700	25,300	24,000
81,500	80,700	78,100	77,800	73,600	70,600
161,500	155,500	141,500	131,100	121,900	114,300
160,800	163,700	156,800	151,100	143,800	135,100
121,400	116,700	115,600	114,100	113,600	109,100
68,800	65,100	63,500	62,800	59,500	57,400
78,500	77,000	77,800	76,400	76,000	76,500
158,700	156,200	153,600	151,200	150,000	148,500
45,400	44,900	44,900	43,500	43,500	45,000
<u>1,461,900</u>	<u>1,441,100</u>	<u>1,392,500</u>	<u>1,352,500</u>	<u>1,315,600</u>	<u>1,278,600</u>

STATE COLLEGES AND UNIVERSITIES - PUBLIC

<u>Four Year Universities (Location)</u>	Student Enrollment 2004
University of Oklahoma (Norman Campus, Health Sciences Center, Law Center, and Geological Survey)	34,905
Oklahoma State University (Stillwater Campus, Tulsa Campus, School of Technical Training at Okmulgee, the College of Veterinary Medicine, the Oklahoma City Technical Institute, the Agricultural Experiment Station, the Agricultural Extension Division, and Oklahoma College of Osteopathic Medicine and Surgery)	40,521
University of Central Oklahoma (Edmond)	16,162
East Central University (Ada)	5,606
Northeastern State University (Tahlequah and Muskogee)	11,217
Northwestern Oklahoma State University (Alva, Woodward and Enid)	2,731
Southeastern Oklahoma State University (Durant)	5,150
Southwestern Oklahoma State University (Weatherford and Sayre)	6,352
Cameron University (Lawton)	7,917
Langston University (Langston)	3,826
Oklahoma Panhandle State University (Goodwell)	1,429
Rogers State University (Claremore)	4,896
University of Science and Arts of Oklahoma (Chickasha)	1,725
Total - Four Year Universities	142,437
<u>Two Year Junior Colleges (Location)</u>	
Carl Albert State College (Poteau and Sallisaw)	861
Connors State College (Warner and Muskogee)	3,279
Eastern Oklahoma State College (Wilburton and McAlester)	2,811
Redlands Community College (El Reno)	3,366
Murray State College (Tishomingo)	2,825
Northeastern Oklahoma A&M College (Miami)	2,871
Northern Oklahoma College (Tonkawa)	5,230
Oklahoma City Community College (Oklahoma City)	19,698
Rose State College (Midwest City)	13,742
Seminole State College (Seminole)	3,125
Tulsa Community College (Tulsa)	26,838
Western Oklahoma State College (Altus)	3,007
Total - Two Year Junior Colleges	87,653

Source: Oklahoma State Regents for Higher Education

STATE COLLEGES AND UNIVERSITIES - PRIVATE

<u>Higher Education Institutions (Location)</u>	Student Enrollment 2004
Bacone College (Muskogee)	1,496
Oklahoma Wesleyan University (Bartlesville)	1,126
Hillsdale Freewill Baptist College (Moore)	344
Mid-America Christian College (Oklahoma City)	929
Spartan College of Aeronautics and Technology (Tulsa)	1,143
Oklahoma Baptist University (Shawnee)	1,858
Oklahoma Christian University of Science and Arts (Oklahoma City)	1,858
Oklahoma City University (Oklahoma City)	4,469
Oral Roberts University (Tulsa)	5,420
St. Gregory's College (Shawnee)	982
Southern Nazarene University (Bethany)	2,613
Southwestern Christian University (Bethany)	258
University of Tulsa (Tulsa)	4,629
Total	27,125

Source: Oklahoma State Regents for Higher Education

SCHOOL ENROLLMENTS

For the Years 1995 through 2004

<u>Public School Enrollments:</u>	2004	2003	2002	2001
Early Childhood	29,338	29,196	26,948	25,379
Kindergarten	46,836	47,426	45,039	45,879
Elementary School	255,196	254,447	261,985	263,126
Junior High School	127,536	126,142	124,410	123,545
Senior High School	173,376	172,343	172,556	176,527
Non-High School Districts (Grades 1-8)	22,719	18,119	17,948	18,209
Special Education (Ungraded)	4,323	4,062	3,907	3,561
Out-of-Home Placements	2,169	2,450	2,132	1,874
Total	661,493	654,185	654,925	658,100
<u>Higher Education:</u>				
Public Institutions	230,090	225,040	220,448	216,758
Private Institutions	27,125	29,007	30,264	30,185
Total	257,215	254,047	250,712	246,943
<u>Career-Technology Education:</u>				
Secondary *	151,833	145,788	138,042	133,054
Adult	357,619	330,095	327,829	316,789
Total	509,452	475,883	465,871	449,843

* These students may also be included in public school enrollments above.

Sources: Department of Education, Regents for Higher Education, and Department of Vocational and Technical Education

ECONOMIC AND DEMOGRAPHIC ESTIMATES

For the Years 1994 through 2003

	2003	2002	2001	2000
Population	3,396,794	3,493,714	3,460,097	3,453,250
Labor Force	1,696,060	1,693,150	1,665,427	1,648,017
Total Employment	1,600,026	1,616,774	1,601,921	1,597,969
Oklahoma Unemployment Rate	5.70%	4.50%	3.80%	3.00%
U.S. Unemployment Rate	6.00%	5.80%	4.80%	4.00%
Oklahoma Per Capita Income	\$26,656	\$25,136	\$24,787	\$23,650
Oklahoma Per Capita Income Expressed As a Percentage of the U.S. Average	84.27%	81.53%	81.88%	80.25%

Sources: Oklahoma Employment Security Commission - Research and Planning Division and Office of State Finance - Economic and Fiscal Policy Research Division

2000	1999	1998	1997	1996	1995
23,204	18,934	4,289	3,644	5,069	4,911
46,084	47,487	55,669	55,037	52,150	49,839
262,778	266,733	268,215	269,928	273,429	274,994
126,432	129,226	131,547	132,568	130,208	127,750
177,099	175,782	173,160	172,962	167,359	161,933
17,937	18,484	18,236	18,035	17,883	17,473
3,373	3,695	3,359	3,367	3,279	3,224
1,496	1,446	1,053	0	0	0
658,403	661,787	655,528	655,541	649,377	640,124
209,849	211,882	209,111	210,824	216,400	223,279
32,209	26,780	26,124	24,849	25,401	24,627
242,058	238,662	235,235	235,673	241,801	247,906
135,575	134,692	132,753	130,856	120,481	107,894
361,676	347,129	335,733	275,114	222,384	191,261
497,251	481,821	468,486	405,970	342,865	299,155

1999	1998	1997	1996	1995	1994
3,437,147	3,405,194	3,314,300	3,295,300	3,271,400	3,248,300
1,654,805	1,624,039	1,595,372	1,576,630	1,546,270	1,544,260
1,597,865	1,550,571	1,529,590	1,512,610	1,473,610	1,454,360
3.40%	4.50%	4.10%	4.10%	4.70%	5.80%
4.20%	4.50%	4.94%	5.40%	5.60%	6.10%
\$22,505	\$21,930	\$21,106	\$19,363	\$18,560	\$17,984
80.83%	81.55%	79.90%	80.12%	80.48%	81.54%

MAJOR EMPLOYERS BY SIZE

Non-Government (Listed Alphabetically)

2004

5,001 OR MORE EMPLOYEES

AMR, Corp.	Sonic Industries, Inc.
Hillcrest Healthcare System	Wal-Mart Stores, Inc.
Integris Health	

3,001 TO 5,000 EMPLOYEES

ConocoPhillips	Saint Francis Hospital
General Motors Corporation	St. John Medical Center, Inc.
HCA Healthcare	SBC
The Hertz Corporation	W. H. Braum, Inc.
SSM Healthcare of Oklahoma	YUM! Brands

1,001 TO 3,000 EMPLOYEES

Albertson's	Kwikset Corporation
America On-Line	Love's Travel Stops and Country Stores
AmTrans of OK	Lowe's Home Centers
Arby's Roast Beef	L.S.B. Industries, Inc.
Arrow Trucking Co.	Mazzio's Corporation
Arvest Bank Operations	McDonald's Restaurants of Okla., Inc.
AT&T Wireless	Mercy Health System of OK
Bama Companies	Metris Companies
BancFirst	Michelin North America
Bar-S Foods	MidFirst Bank
BlueCross/BlueShield of OK	Midwest Regional Medical Center
BOK Financial Group	Muskogee Regional Medical Center
Boeing	Nordam
Bridgestone/Firestone Corp.	Norman Regional Hospital
Brinker International	OGE Energy Corp
Chesapeake Energy	Oklahoma Nursing Homes Ltd.
Cherokee Nation of Oklahoma - Tahlequah	The Oklahoma Publishing Company
Chickasaw Enterprises - Ada	OneOK, Inc.
Choctaw Nation of Oklahoma - Durant	O'Reilly Automotive
Cingular	Red Lobster Inns
CITGO Petroleum Corp.	Seaboard Farms
Comanche County Memorial Hospital	Seagate Technology
Convergys	Sears, Roebuck and Co.
Corrections Corp. of America	Sodexo Operations
Cox Communications	Sprint PCS
Deaconess Hospital	State Farm Insurance
Devon Energy	TCI Services
Dillard Department Stores	Target Stores
Dollar General Corporation	Tulsa Regional Medical Center
Dollar Thrifty Auto Group	Tyson Foods, Inc.
EDS	Unit Parts Co.
Foley's	United Parcel Service of America, Inc.
Georgia-Pacific Corp.	United Super Markets of Oklahoma, Inc.
Goodyear Tire and Rubber Company	Walgreen Company
Grace Living Centers	Warehouse Market
Hillcrest Health Center, Inc.	West Corp.
Hobby Lobby	Weyerhaeuser Company
Home Depot	Whirlpool Corporation
Homeland Stores	Williams Companies
J. C. Penney Co., Inc.	York International Central Environmental Systems

500 TO 1000 EMPLOYEES

(Oklahoma-based Employers Only)

AAON, Inc.

Advance Food Company

American Fidelity Group

Charles Machine Works (Ditch Witch International)

Citizen Potawatomi Nation - Shawnee

Crest Discount Foods, Inc.

Dolese Bros. Co.

Great Plains Coca-Cola

Jane Phillips Episcopal Hospital

Kerr-McGee Corporation

Mathis Brothers Furniture Co.

M-D Building Products

MidFirst Bank

Muscogee Creek Nation - Okmulgee

Oral Roberts University

Pioneer Telephone Corporation

Prepaid Legal

QuikTrip Corporation

St. Mary's Regional Medical Center

Stillwater Medical Center

Sundowner Trailer Inc.

Valley View Regional Hospital

Webco Industries

World Publishing Company

Source: Oklahoma Department of Commerce

NET GENERAL OBLIGATION BONDS AND NOTES PER CAPITA

For the Years 1995 through 2004

(amounts expressed in thousands with the exception of General Bonded Debt Per Capita)

Fiscal Year Ended June 30	Population	Total General Bonded Debt (1)	Debt Payable From Component Units	Net General Bonded Debt	General Bonded Debt Per Capita
2004	3,397	\$ 321,207	\$ 59,997	\$ 261,210	\$ 76.89
2003	3,494	338,473	68,498	269,975	77.27
2002	3,460	355,178	74,708	280,470	81.06
2001	3,451	371,608	81,108	290,500	84.18
2000	3,358	394,766	94,666	300,100	89.37
1999	3,346	404,167	94,877	309,290	92.44
1998	3,346	391,658	73,563	318,095	95.07
1997	3,317	395,038	68,498	326,540	98.44
1996	3,295	395,420	60,740	334,680	101.57
1995	3,271	404,715	60,235	344,480	105.31

(1) General Bonded Debt is the bonded debt expected to be repaid through general governmental resources.

Notes:

Assessed value data is not presented in this table because the State of Oklahoma does not receive property tax revenue.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

For the Years 1995 through 2004

(amounts expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2004	\$ -	\$ -	\$ -	\$ 11,091,962	0.00%
2003	10,495	13,836	24,331	10,596,712	0.23%
2002	10,030	14,285	24,315	10,122,482	0.24%
2001	9,600	14,707	24,307	9,582,395	0.25%
2000	9,190	15,105	24,295	8,256,634	0.29%
1999	8,805	15,529	24,334	8,017,497	0.30%
1998	8,445	19,679	28,124	7,147,477	0.39%
1997	8,115	16,417	24,532	6,937,902	0.35%
1996	9,800	16,930	26,730	6,688,130	0.40%
1995	10,580	17,480	28,060	6,338,769	0.44%

General Governmental Expenditures include the General and Capital Projects Funds.

REVENUE BOND COVERAGE

ENTERPRISE FUND AND COMPONENT UNITS

(amounts expressed in thousands)

		Gross Revenues (1)	Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service Requirements	Debt Service Coverage
Enterprise Fund:						
Oklahoma Water Resources Board						
For the fiscal year ended June 30,	2004	\$ -	\$ 1,519	\$ (1,519)	\$ 57,564	-0.03
	2003	21,702	1,706	19,996	21,134	0.95
	2002	26,227	1,687	24,540	43,670	0.56
	2001	10,702	1,175	9,527	19,654	0.48
	2000	14,620	3,699	10,921	25,301	0.43
	1999	11,932	1,000	10,932	28,188	0.39
	1998	12,411	816	11,595	15,226	0.76
	1997	10,061	777	9,284	15,508	0.60
	1996	10,091	746	9,345	11,218	0.83
	1995	12,577	835	11,742	60,160	0.20
Component Units:						
Oklahoma Student Loan Authority						
For the fiscal year ended June 30,	2004	\$ 21,306	\$ 3,367	\$ 17,939	\$ 10,452	1.72
	2003	22,266	3,106	19,160	19,617	0.98
	2002	26,790	3,639	23,151	15,113	1.53
	2001	31,505	3,679	27,826	18,474	1.51
	2000	24,101	5,011	19,090	11,272	1.69
	1999	19,138	3,418	15,720	12,399	1.27
	1998	16,806	2,806	14,000	12,753	1.10
	1997	14,373	2,401	11,972	12,332	0.97
	1996	12,874	2,048	10,826	5,897	1.84
	1995	10,324	2,134	8,190	6,324	1.30
Oklahoma Environmental Finance Authority						
For the fiscal year ended June 30,	2004	\$ 60	\$ 5	\$ 55	\$ 59	0.93
	2003	59	4	55	59	0.93
	2002	61	13	48	59	0.81
	2001	62	5	57	59	0.97
	2000	354	14	340	349	0.97
	1999	2,127	21	2,106	5,082	0.41
	1998	2,607	17	2,590	3,622	0.72
	1997	2,674	18	2,656	3,685	0.72
	1996	2,732	12	2,720	3,713	0.73
	1995	2,800	13	2,787	3,514	0.79
Oklahoma Housing Finance Agency						
For the fiscal year ended September 30,	2003	\$ 43,239	\$ 11,110	\$ 32,129	\$ 87,628	0.37
	2002	61,492	10,722	50,770	102,995	0.49
	2001	79,650	10,955	68,695	77,381	0.89
	2000	67,974	6,782	61,192	96,456	0.63
	1999	67,168	5,786	61,382	110,584	0.56
	1998	41,326	5,268	36,058	52,906	0.68
	1997	49,053	8,463	40,590	43,536	0.93
	1996	50,599	8,330	42,269	60,771	0.70
	1995	52,149	7,846	44,303	45,074	0.98
	1994	53,810	8,342	45,468	53,105	0.86
Oklahoma Transportation Authority						
For the fiscal year ended December 31,	2003	\$ 188,999	\$ 52,441	\$ 136,558	\$ 79,430	1.72
	2002	194,531	48,797	145,734	102,773	1.42
	2001	191,988	45,868	146,120	72,031	2.03
	2000	170,135	40,865	129,270	67,611	1.91
	1999	167,341	40,932	126,409	78,702	1.61
	1998	161,660	36,545	125,115	70,376	1.78
	1997	131,279	32,713	98,566	53,450	1.84
	1996	122,501	33,160	89,341	50,830	1.76
	1995	117,136	33,626	83,510	50,527	1.65
	1994	109,691	33,117	76,574	44,510	1.72
Grand River Dam Authority						
For the fiscal year ended December 31,	2003	\$ 213,124	\$ 109,850	103,274	\$ 102,609	1.01
	2002	203,020	104,945	98,075	103,065	0.95
	2001	203,860	101,018	102,842	103,108	1.00
	2000	216,046	114,725	101,321	94,243	1.08
	1999	195,738	90,114	105,624	94,356	1.12
	1998	215,879	109,795	106,084	95,830	1.11
	1997	192,904	89,046	103,858	111,560	0.93
	1996	188,672	93,054	95,618	92,828	1.03
	1995	181,018	83,616	97,402	92,223	1.06
	1994	180,751	84,315	96,436	90,266	1.07
Oklahoma Municipal Power Authority						
For the fiscal year ended December 31,	2003	\$ 134,334	\$ 98,703	\$ 35,631	\$ 31,973	1.11
	2002	115,514	80,521	34,993	30,290	1.16
	2001	118,382	84,156	34,226	29,156	1.17
	2000	121,023	88,192	32,831	28,108	1.17
	1999	96,014	70,975	25,039	28,020	0.89
	1998	99,538	70,953	28,585	28,148	1.02
	1997	88,127	61,304	26,823	24,622	1.09
	1996	82,840	45,948	36,892	22,932	1.61
	1995	72,988	39,617	33,371	22,983	1.45
	1994	74,931	43,872	31,059	22,203	1.40
Higher Education						
For the fiscal year ended June 30,	2004	\$ 3,055,770	\$ 2,586,517	\$ 469,253	\$ 86,143	5.45
	2003	2,638,386	2,441,841	196,545	55,145	3.56
	2002	2,489,644	2,327,184	162,460	30,565	5.32
	2001	2,300,325	2,125,609	174,716	27,178	6.43

(1) Gross revenues including interest and investment income but excluding revenues restricted to other debt

(2) Operating expenses, exclusive of depreciation and operating interest (where applicable)

- Revenue bond coverage is not intended to portray compliance with bond indenture agreements.

- Upon implementation of GASB Statement 34, Higher Education was included within the Component Units. Comparable data prior to their inclusion is not available.

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Special Thanks To

Daniel Willsey of digiPrint

OKLAHOMA

General Information

Admitted to Union (46th State).....	1907
Capital	Oklahoma City
2004 Population	3,396,794
Population per square mile	49
Counties	77

State Symbols

Nickname	Sooner State
Motto.....	<i>Labor Omnia Vincit</i> (Labor Conquers All Things)
Colors	Green and White
Flower	Mistletoe
Tree	Redbud
Bird	Scissor-tailed Flycatcher
Animal	American Buffalo
Fish	White Bass (Sand Bass)
Butterfly	Black Swallowtail
Reptile	Mountain Boomer (Collared Lizard)
Rock	Rose Rock

Area

Total Area	69,903 square miles
Land Area	68,679 square miles
Water Area	1,224 square miles

Recreation

Number of State Parks	50
Number of State Trails	99
Number of Lakes (100 acres or larger)	135



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